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Work of the War Finance Corporation

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Operations Under the Agricultural Credits Act by Which the Government Through Banks and Other Agencies Is Preventing Sacrifices—No Longer Necessary to Send Immature Live Stock to Market or to Sacrifice Breeding Herds—Aid to the Corporations Not Confined to Crops nor to Districts—Cooperation of the Whole Banking Fraternity Necessary to Make Relief Fully Effective—Total Advances, $133,547,215.39

THE Agricultural Credits Act of August 24, 1921, greatly broadened the powers of the War Finance Corporation and gave it authority to make advances for domestic as well as for export purposes. It had become increasingly clear that export financing alone would not be sufficient to meet the needs of agriculture. The whole character of the export market had changed and sound business men in Europe were no longer anxious to buy on credit because of the risk involved in exchange fluctuations. Many of them had made large purchases on credit following the armistice and up to the latter part of 1920 and had suffered heavy losses on account of depreciation in exchange rates. They were reluctant, therefore, to contract ahead for goods which they would have to pay for in dollars, but which they would be compelled to sell in manufactured, or even raw, form in terms of European currency. Furthermore, many of our own merchants and manufacturers, since the collapse which came in the fall of 1920, have been operating on the basis of the lowest possible stocks, buying only to meet current demands because of the fear that the bottom might drop out of the market.

Whatever may have been the cause of these factors in the economic situation, they naturally resulted in forcing large quantities of raw materials, which normally are carried by mills, wholesalers, jobbers and retailers, back upon the original producers and the banks which do their financing. The agricultural industry was confronted, therefore, with the necessity of selling its staple products more gradually than in former years, and of arranging for the carrying of commodities in larger quantities for a longer period of marketing.

The Agricultural Credits Act

Some special provision to assist agriculture in adjusting itself to this unusual situation was needed, and therefore Congress, in August, 1921, passed the Agricultural Credits Act extending the powers of the War Finance Corporation. This act gave the corporation authority to make advances not only to exporters and banking institutions, but also to dealers in and handlers of agricultural products, including cooperative associations, for the purpose of financing the carrying of such products until they could be exported or sold for export in an orderly manner. It also empowered the Corporation to make advances to banking and financing institutions or to cooperative associations of producers, which may have made advances for agricultural purposes, including the breeding, raising, fattening and marketing of live stock, or may have discounted or rediscounted notes, drafts, bills of exchange or other negotiable instruments issued for such purposes. Advances may be made for periods not exceeding one year, with discretion in the Corporation to renew them for periods not extending beyond three years from the dates on which the advances were originally made; and the act provides that all advances shall be made upon promissory note or notes, or other instrument or instruments, in such form

as to impose on the borrower a primary and unconditional obligation to repay the advance at maturity, with interest as stipulated therein, and shall be fully and adequately secured in each instance by indorsement, guaranty, pledge or otherwise.

Agricultural Loan Agencies

After the passage of the act steps were taken by the Corporation to set up the necessary machinery for its administration. As the law is nation-wide in its application, some time necessarily was required to perfect an organization. To facilitate the handling of applications from banking and financing institutions for advances for agricultural purposes, it was decided to establish agricultural loan agencies in the important agricultural and live stock districts. Committees composed of public-spirited bankers, business men and others, who serve without compensation, were designated to take charge of these agencies, to receive applications, pass upon the security offered and make recommendations to the board of directors at Washington for review and final action. The committees were organized as promptly as the members could be selected and appointed, and within a short time they were ready to function. In all thirty-three agencies were created, each of which was authorized to establish headquarters at the place that ordinarily serves as the financial and trade center of the surrounding territory.

Applications Approved

Coincident with the development of the field organization, the staff of the Corporation at Washington was enlarged to handle the increased volume of business. By the latter part of October the machinery for the administration of the act, both in Washington and in the field, was practically completed, the agricultural committees in the various sections of the country were functioning actively, a large number of banking institutions had become familiar with the powers and purposes of the Corporation, and applications were being received in increasing numbers. Up to November 30, 824 applications from banking and financing institutions for advances for agricultural purposes, involving approximately $42,425,000, had been approved by the board of directors. Of this number 790, involving approximately $38,726,000, were acted upon during the month of November. Within the past few weeks the Corporation has been passing upon a large number of applications daily, covering advances ranging in the aggregate from one million to several million dollars. On December 10, for example, the Corporation announced the approval, during the previous five days, of 256 advances for agricultural purposes, aggregating $13,280,000 and distributed over twenty-three states, from California on the Pacific Coast to Georgia on the South Atlantic and from Texas on the southern border to Minnesota and Montana on the Canadian line.

Other Advances

In addition to advances to banking and financing institutions for agricultural purposes, the Corporation has approved large advances for similar purposes to cooperative associations and a number of advances to exporters and banking institutions to assist them in financing the exportation of agricultural and other commodities. From August 24 to November 30, inclusive, the advances granted by the Corporation to cooperative associations for agricultural purposes total $39,597,000 and the advances granted for export purposes to banking institutions and exporters aggregate $38,847,000. The former figure includes advances totaling $19,847,000, which were originally applied for and approved under the export powers of the Corporation and subsequently withdrawn by the applicants and resubmitted and approved as advances for agricultural purposes under the Agricultural Credits Act.

Shortly after the passage of the act the attention of the Corporation was directed to the seriousness of the live stock situation. Immature stock was being forced on the market, and in many cases breeding herds were being sacrificed. On account of the condition of many of the small banks in the west and southwest and the limitations or restrictions imposed upon them by state laws, it was clearly apparent that additional financing machinery should be provided to meet, in a satisfactory way, the needs of the live stock industry. The matter was thoroughly canvassed and the Corporation suggested to the local bankers and business men in general the advisability of establishing new financing organizations for the purposes of bringing new capital into the field of live stock finance. Within the past few months new agricultural and live stock loan companies, with a total authorized capital of more than $5,000,000, have been formed in Utah, Wyoming, Colorado, Texas, New Mexico, Montana and Nebraska. Several of these companies already are functioning actively and the Corporation has made advances to them. They are in no sense agencies of the Corporation and they have no special relationship with it. They stand in exactly the same position as any other financing organization owned and controlled by business men in the various localities, and advances to them are made on the same basis as advances to other financing institutions, with due regard to their capital, the efficiency of their management, the character of their business and the security offered. Similar organizations, with substantial capital, are being formed or are under consideration in Oklahoma, Kansas, South Dakota, Idaho, Oregon, Florida and other states.

The Corn Situation

In the corn belt where, as a result of two bumper corn crops and reduced feeding operations, there has accumulated a large surplus of corn, the Corporation early in November took special action to deal with the situation. It appointed a committee, known as the Corn Belt Advisory Committee, of which Governor McCray of Indiana is chairman, to assist in obtaining the cooperation of banking organizations and banking institutions generally throughout the corn belt, with the view of providing adequate financing for the more orderly marketing of the corn crop and the feeding of live stock. The advances already made by the Corporation to banking institutions in the corn belt

have resulted in a noticeable improvement in the corn situation, and there is every reason to believe that, with the full cooperation of the bankers and business men of that section, further improvement can be brought about.

But the work of the Corporation has not been confined to the crops and districts mentioned. Wheat growers in the northwest, sugar-beet farmers in Utah and Idaho, rice growers in Arkansas and California, peanut producers in Virginia, fruit growers in California, cotton growers in the south and other agricultural producers in other parts of the country have been aided through the activities of the Corporation. It would require too much space in an article of this sort to set forth in detail the operations of the Corporation, but they are summarized in the accompanying tables.

The Corporation is not authorized under the law to deal directly with individual producers. It is reaching the farmer not only through cooperative associations, but also through his local banking institutions—the institutions with which he is accustomed to do business and which are in close touch with local conditions. The advances made by the Corporation to these institutions on the basis of their agricultural paper are accomplishing two important and necessary things. They are enabling the banks with slow assets to carry the existing loans of their farmer customers for a longer period, thus removing the necessity for forced liquidation. They are also putting many of the banks, especially those which are in good financial condition, in funds for making new loans and for taking care of the needs of farmers and stockmen in the surrounding territory to the extent that their individual credit may warrant. In other words, the work of the Corporation is strengthening the banks with slow assets so that they can "carry on" with their old agricultural loans and at the same time it is helping many of the stronger banks to do new business which, without such help, they could not do. The strengthening of the hands of the weaker banks is a necessary preliminary to more aggressive action on the part of the stronger banks. When the strong institutions see that the position of the weaker banks in a community is being strengthened, confidence is naturally engendered and there is encouragement to go ahead with business in the normal way.

Operations of the War Finance Corporation From January 4, 1921, to November 30, 1921, Inclusive

I. Advances Granted to Assist in Financing Exports Under Sections 21, 22 and 24 (Par. 2) to Nov. 30, 1921, Inclusive*

Commodity	Amount
Grain	$11,500,000.00
Tobacco	3,591,369.77
Cotton	28,422,373.21**
Canned fruits	400,000.00
Dried fruits	1,250,000.00
Meat products	1,000,000.00
Condensed milk	1,000,000.00
Textile products	250,000.00
Sheet steel	180,000.00
Copper	145,600.00
Sugar-mill machinery	359,866.36
Agricultural machinery	500,000.00
Railroad equipment	2,925,000.00
	$51,524,209.34***

*Section 21 was added to the original War Finance Corporation Act by the act of March 3, 1919, and Sections 22 and 24 by the Agricultural Credits Act of August 24, 1921.
**Does not include advances aggregating $19,847,626.79 originally applied for and approved under Section 21 for export purposes, and subsequently withdrawn by the applicants and resubmitted and approved as advances for agricultural purposes under Section 24.
***Of the total amount $38,847,739.57 represents advances approved subsequent to August 24, 1921.

II. Advances Granted For "Agricultural Purposes" Under Section 24 (Par. 1.) to Nov. 30, 1921, Inclusive*

Commodity	Amount
Grain	$15,000,000.00
Cotton	22,492,426.79**
Live stock	12,553,111.60
Sugar beets	5,010,000.00
Rice	2,250,000.00
Canned fruits	300,000.00
General agricultural purposes	24,417,467.66
	$82,023,006.05

*Section 24 was added to the original War Finance Corporation Act by the Agricultural Credits Act of August 24, 1921.
**Includes advances aggregating $19,847,626.79 originally applied for and approved under Section 21 for export purposes, and subsequently withdrawn by the applicants and resubmitted and approved as advances for agricultural purposes under Section 24.

III. Summary of Advances Granted for Export and Agricultural Purposes Under Sections 21, 22 and 24 to Nov. 30, 1921, Inclusive

To cooperative associations	$52,400,000.00
To banking and financing institutions	72,447,606.50
To exporters	8,699,608.89
	$133,547,215.39

The following extract from a circular letter, recently sent out by a bank in Iowa, furnishes a concrete illustration of one of the ways in which funds advanced by the War Finance Corporation are helping to meet the needs of agriculture during this difficult period:

"This bank was one of the first in the state to apply for and receive funds. We have granted and have received an advance of $100,000. * * * This money coming now relieves the pressure, and the people of this county, our customers, get the benefit.

"This bank stands first for safety. Safety does not lie in forced selling of farm products on the present market. Rather, in the opposite direction.

"By use of this money this bank is in position to waive payment for the present of notes owed to us by our good farmer customers, and we gladly do so.

"As a customer of this bank, if your notes are due or coming due soon and to pay the same means that you must sell corn or oats at present prices or that you must sell unmatured live stock, don't do it. Come into the bank and we will renew your notes, asking only the same security and rate we have heretofore; and we may advance some additional money if your situation justifies. This refers strictly to farming and live stock operations, and not to land buying or purchasing of outside securities, or promotions. * * *

"Again referring to the War Finance money. This money was intended for the use of the farmer in the present emergency and this bank is doing all in its power to see to it that our farmer customers do in fact get the benefit."

Cooperation of Bankers

The results already obtained indicate clearly that the right methods have been adopted. But if the work of the Corporation is to be fully effective it must have the hearty cooperation of the whole banking fraternity. The ultimate success of the activities of the Corporation depends, in no small measure, upon that cooperation.

Bankers generally have shown a very sympathetic interest in what the Corporation is trying to do, but the local institutions in many sections have not taken full advantage of the facilities offered. With the approval of the board of directors, I recently asked the presidents of the state bankers associations to designate committees, representing their organizations, to assist the local agencies of the War Finance Corporation in making available to banking institutions generally, and especially to the country banks, information regarding the powers, resources and requirements of the Corporation, as well as the procedure that should be followed in making applications for advances. Already many of these committees have been appointed and are actively at work. They are not only aiding the agencies in disseminating information regarding the work of the Corporation, but they are also urging the members of their organizations to canvass the needs of the agricultural interests in their communities and to consider how they may cooperate in making effective the powers and resources so liberally provided by the Congress.

The more of this kind of cooperation the Corporation can get, the more productive will be its efforts. The suggestion that bankers should consider not merely the needs of their own customers, but the needs of the community as a whole may involve a departure from the usual banking practice, but the bankers of America have always responded to the requirements of the public interest, and I am confident that the members of the American Bankers Association will do everything in their power to aid the War Finance Corporation in carrying out the responsibilities imposed upon it by the Congress.

No Settlements on Pre-War Basis

THE New York *Times* on December 31, printed an article dealing with attempts made by German debtors to settle their pre-war American obligations in paper marks, now valued at about one-half cent each, the debts being contracted when the mark had a dollar value of 23.3 cents. The article carried word from Washington that the government intends to insure fair play for American creditors. In addition to the attitude of the government in the matter, it is receiving the close attention of the Commerce and Marine Commission of the American Bankers Association.

In local banking quarters it is not generally believed that a large percentage of our German creditors will seek settlement of their obligations on the present basis of the paper mark.

On the other hand, should such an attempt be made, attention is drawn to the fact that alien enemy property now in the hands of the American Alien Property Custodian amounts to roughly $400,000,000. Pre-war claims of Americans against Germany are estimated at $60,000,000. Quoting "a responsible government official," the *Times* said:

"American creditors not paid in full will be among the preferred class of claimants when the matter of the disposition of alien enemy property held by the United States government is taken up for consideration and adjustment. If an American claimant is not offered full payment of his just claims all he has to do is to refuse to accept payment in depreciated German marks, and the American government will see that he is a preferred claimant when it comes to disposing of the ex-German property held by the Alien Property Custodian."

Before the war it was customary for American banks doing an exchange business to keep large mark balances in German banks. These were secured at rates ranging from 17 to 23.3 cents per mark. With the mark quoted today at approximately one-half a cent, a settlement on the paper mark basis would mean the loss of a big sum to American purchasers of pre-war German exchange.

British and French banks have had their balances settled on the basis of the pre-war mark, and it is the general feeling that similar settlement will be made of American balances.

Under the Versailles treaty the United States had the option of adopting the clearing house scheme contained in Part X, Section 3, of that document. The option has expired because of the unwillingness of our government to accept the full responsibilities provided by it, but a settlement may be effected at a pre-war rate under Part X, Section 4, of the Versailles treaty. This makes German property held by the American Alien Property Custodian a security for the payment of just American claims.

As the matter now stands, the consensus of opinion is that action must be taken by Congress in relation to the disposition of the property held by the Alien Property Custodian to protect these American interests. Legislation governing the matter will doubtless in due course emanate from the Department of State, although as yet no such public steps have been taken in that direction. Banks and individuals having pre-war mark balances have a vital interest in the situation, which must, of course, be presented to the proper authorities, including members of Congress, when the matter comes up for action.

Will It Lower the Cost of Living?

By WILLIAM McCARROLL
Member Executive Committee of Chamber of Commerce of the State of New York

Why the New York State Barge Canal, On Which Has Been Spent $167,000,000 Has Not Yet Fulfilled the Intentions of Its Sponsors

WILL the New York State Barge Canal System, which the people of the Empire State have paid $167,000,000 to complete, lower the cost of living in the east; will it help the farmer of the middle west in getting his produce to seaboard at reduced rates; will it relieve the congestion at the Port of New York, which has for years cramped the facilities of the railroads and which has caused shipping costs to mount higher and higher; will it, in a word, fulfil the great economic function that its sponsors intended?

These questions generally may be answered in the affirmative. The old Erie Canal, the predecessor of the present barge canal, for years successfully performed these services. There are a few conditions, however, in the rebuilt canal that are novel and new and which are retarding a return to "normalcy." In the first place, the canal was completed during the war and as all of the energies of the country were being directed to winning the war, the canal, on being taken over by the government, was not made the factor that it otherwise would have been. Then again, the boats that were being built by the United States Government (and the government was dominating all of the shipbuilding at that time) were for transatlantic service rather than inland waterways. Consequently the available tonnage for the new canal was small.

Shippers who have been using the canal the past year are pleased with results. Companies engaged in the transportation business on the state waterways during the past year, when Federal control was released, have made profits, and on the whole are understood to be fairly prosperous. The terminals and other facilities provided by the taxpayers of the state of New York were adequate to handle ten to twenty times the traffic which was moved, and one company, which took over barges and boats built and operated by the United States Shipping Board, was offered ten times more tonnage than it could accept.

Tug and Steel Barges Entering Lock—Capacity of Single Barge 450 Tons

The water supply source at present available for the canal is sufficient to support a business of more than 20,000,000 tons each season. The Superintendent of Public Works, Charles L. Cadle, conducted a very effective campaign during the year as to the advantages of shipping by canal. The result of this work was evidenced by the huge traffic which was offered, but which, because of the absence of an ample number of barges, could not be carried. And the lack of barges alone prevents the canal from becoming one of the most successful inland water routes in the world.

Here is a canal extending from the Great Lakes to the Atlantic seaboard and which has been eighteen years in the course of construction. It is one of the engineering marvels of America. It is especially well equipped; the locks will for all time be monuments to American engineering skill. Still the canal is not now fulfilling the intentions of its sponsors. This is the only country in the world in which there would have been built a waterway at such a tremendous cost without some provision being made with operators for boats to utilize it.

Boats are all that is required. The canal is there, the traffic is there to make the project highly profitable to concerns with shipping experience and ready capital. But for one reason or another capital, to date, has not realized the profit-making possibilities afforded by the new canal; or, in other words, has not availed itself of the opportunities there presented. And at the moment this is the essential requirement to fulfil the expectations of the founders of this great waterway.

It is only by the accomplishments of the past that the future may be reckoned. The old Erie Canal, it will be recalled, brought New York to the position of the leading American port. In 1825, when the Erie Canal was completed (it is interesting to note that the movement to build the Erie Canal was suggested by the Chamber of Commerce of the state of New York prior to

1800), New York was outranked by Philadelphia, Boston and Baltimore as a port. In 1845, twenty years later, New York was far in the lead, due principally to the canal. Grain, which formerly went by way of Boston and Montreal, was the chief commodity then shipped by the canal. In the years when New York attained its preeminence the value of goods carried on the canal was greater than the exports of the entire state of New York.

Tolls Abolished

The old Erie Canal was a huge success from its very inception, and in 1883 all tolls were abolished and goods came through the canal without charge, as is the case today. The state at that time had made $42,000,000 of profit out of the old Erie Canal, that is, $42,000,000 over and above the cost of the canal. If interest at 6 per cent. is compounded on this, as a capital sum, the striking fact stands out that New York State has already received an amount that has reimbursed the state for every dollar it has spent on the canal and that it now has the canal free and clear. At that time the canal was capable of carrying perhaps 7,000,000 tons of freight a year and more than 5,000 canal boats were in the service. Now the total registration of boats of all descriptions, exclusive of tugboats, is about 1,200.

So intense was the canal traffic in the early eighties that the railroads regarded the canal as a "foe" which would have to be eliminated. The carriers lowered freight rates to such a point that they actually lost money on this type of business. We all know, too, how the rails acquired virtually all of this through-grain business and how the canal subsequently was eliminated as a factor in moving that freight. We are not condemning the roads nor are we condoning the methods of competition which were generally prevalent in business at that time—we have progressed much since then.

Railroads are not able to compete on a fair basis with water-carried freight. The canal today is carrying freight, eastbound, at 30 per cent. less than the prevalent rail rates. Westbound traffic is being handled at almost 40 per cent. under rail rates and in some cases this amounts to 50 per cent. A striking illustration of the economy of water transportation is the present rate on coal between Buffalo and Duluth—50 cents a ton. It costs more to deliver coal from the railroad yards in New York City to an apartment house in the Bronx, especially when rehandling is involved.

All boats in the canal service today successfully pass through the canal and its locks. There are no delays. Some of the boats in the service can carry as much as 83,000 bushels of oats, which would require seventy-five freight cars to move. The draught of the entire canal is twelve feet in depth, and this is sufficient to allow the largest of the barges and steamers a successful and speedy passage. Last year, while the Federal government was still in charge of the canal, 891,221 tons were carried by barges on the Erie or barge canal. The figures for 1921 are not completed, but up to December 3 the total carried was 966,049 tons.

Grain Elevators

Next year the Superintendent of Public Works of the State of New York will have the grain elevator in Gowanus Canal, in the heart of New York Bay, in operation. Consequently a large increase in this type of business is expected. Barges will draw up to the elevators, unload mechanically, and return for additional cargoes. Ocean-going steamers on the other side of the elevator will be mechanically loaded and depart abroad. This will greatly reduce the cost of handling grain in New York City and when more barges are available New York City will quickly take its place as the largest exporting point for grain in the United States. The new elevator is built on the unit system and can be enlarged whenever demand justifies the erection of additional elevators.

It is well to point out that the United States has always frowned upon Federal appropriations for the Port of New York and that the present canal, as well as its predecessor, was built solely from money of the state of New York. The United States in the past 100 years has appropriated only one-tenth of what France expended in a similar period for the development of waterways. Continental Europe has always been alive to the possibilities of water routes, especially on low-grade, bulky commodities. The Port of New York and the canal are really properties for the nation, and in their improvement and development the United States as a whole will benefit just as much as New York. This inland water route and this port were gifts of nature and were intended to be developed.

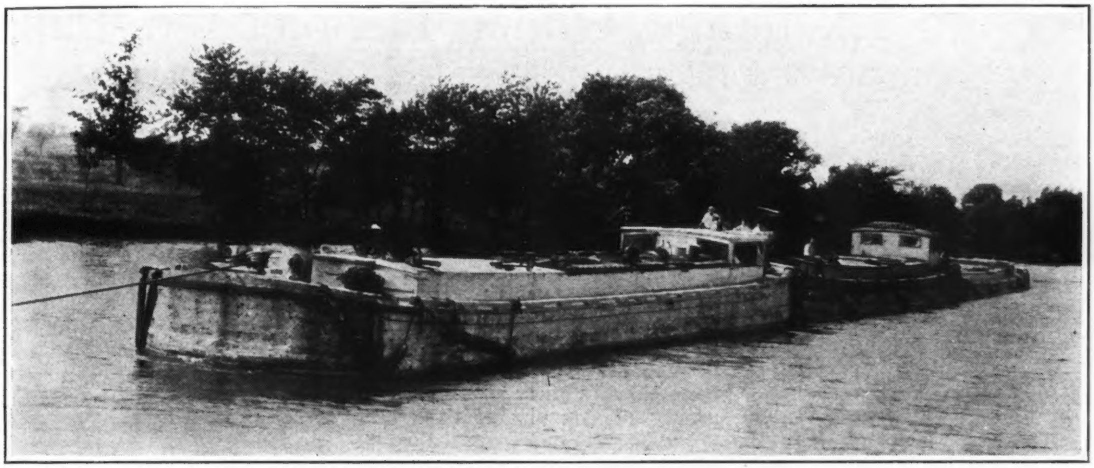
Canal and the Port

In discussing the future possibilities of the canal, DeWitt Cuyler, chairman of the advisory board of the American Railway Executives, recently said that it will take ten years of work and five billions of dollars to put the railroads of the country back to a normal basis. The population has grown greatly throughout the land, new cities and industries have been built up, and yet during a period of seven years hardly an additional mile of railroad trackage has been laid.

If it were not for the fact that Europe, because of her depreciated exchange, cannot buy in this market, the carriers would again be facing a crisis, as the roads would not be able to handle the business. In view of this condition, and the admitted economy in transwater shipment, no doubts can be seriously entertained as to the ultimate future of the barge canal. I, for one, do not believe that the people of the state of New York will allow the barge canal, upon which they have spent so much, to fail through the inability to obtain boats to utilize this waterway.

In connection with the canal and its future a word might be said about the Port Authority now operating in the Port of New York through a treaty passed by the states of New York and New Jersey. The port is now being scientifically developed and the control unified. Costs of doing business in the port will be greatly reduced when the comprehensive plan now under consideration by the two states is adopted.

The new Port of New York, for it will really be a new port, will have all of the facilities and conveniences that the great ports of the world possessed years ago, that is,



Typical Fleet of Boats, Loaded with Nitrate of Soda, Going West

Hamburg, Antwerp and Liverpool, none of which is an ocean port, but which have attracted commerce from the world because of the facilities they offered to shippers. Ports abroad are developed with care, intelligence and foresight, and the governments aid, realizing their importance to the business of the country. An example of the development of the foreign ports is afforded in the case of Marseilles, which is only one-sixth the size of the Port of New York, but which can handle 1,500 tons of freight over each one foot front of wharfage as against New York's 150 tons over the same frontage.

With this new Port of New York equipped with modern facilities, with a belt line railroad connecting all of the piers, the barge canal will have one of its greatest assets as its eastern terminal, where barges, heavily laden, from middle-western inland ports will be able to discharge their cargoes automatically and at greatly reduced costs before starting on their return trips with bulk goods manufactured in the east. At that time, and it is not very distant, there will be ample fleets of boats operating on the canal. Then the canal will fulfil the expectations of its sponsors as a vital link between the ports of the Great Lakes and the seaboard, and will more than repay the state for the vast amount of money that it has expended to make this waterway possible for the use and interests of the country, be it said, as well as for New York. The state of New York in the construction and maintenance of this barge canal has led the way in the development of inland waterways which our country needs, and in which it should energetically follow. In doing that it has done what is no less, perhaps more, important. It has shown *how* it ought to be done, namely, by its own money for its own waterways. That is good, true doctrine and policy for our national government—"American money for American waterways."

Deaths at Grade Crossings

The alarming increase of accidents to automobilists at railroad crossings has aroused the transportation lines to the point where they have combined to educate the careless driver. According to statistics compiled by the Interstate Commerce Commission, there were 4,718 persons killed and 13,644 others injured in automobiles at these crossings in the United States in the four years 1917 to 1920. In 1920 alone there were 1,273 persons killed and 3,977 injured in the country from the same cause. Referring back to the Commission's statistics, it is found that there were 26,536 casualties of all kinds at railroad grade crossings (this includes accidents involving persons in teams, street cars, automobiles and other vehicles and pedestrians) in the four years 1917 to 1920. About 69 per cent. of these casualties were motorists.

From another angle, the statistics show that in 1917 the casualties involving automobiles were 4,083. In 1920 they were 5,250. This is an increase of 28 per cent. Last year there were 9,211,295 automobiles registered in the United States. This was an increase of 85 per cent. over the number registered in 1917.

Figures are not yet available for 1921, but indications are that automobile casualties will be in excess of those of 1920. The fight against the increase will be made in 1922 and from then on a gradual reduction is looked for.

A few months ago the American Railway Association created a section of its activities to be known as the Safety Section. This national organization is planning to throw its whole strength behind the work of the Grade Crossing Accident Prevention Committee of the Safety Section. This committee, of which John T. Broderick, Superintendent of the Safety Department of the Baltimore and Ohio Railroad, is chairman, plans to reach as many automobile owners and drivers as is possible and point out to each that a railroad crossing is as safe as the junction of any two highways in the country, provided the automobilist will stop, look and listen before venturing across the rails.

Foreign Exchange Under Depreciated Paper

A Criticism of Cassel's Doctrine of Purchasing Power Parity

By JOHN H. WILLIAMS
Economist of the Economic Policy Commission of the American Bankers Association

THE Economic Policy Commission of the American Bankers Association has taken as the main feature of its program for the current year the study of the group of international economic problems which have grown out of the war. The present paper is the first of a series which will appear in the JOURNAL at intervals during the year and which will indicate briefly the progress of the investigation and the principal conclusions reached.

Restraint Upon Imports

It is the commission's belief that no set of problems now before the country is of more concern to American bankers, or more in need of thoroughgoing, dispassionate investigation than the international financial and commercial questions which are now troubling the world. There are before the present Congress two bills which are of great importance to the United States and Europe, but which, on the surface at least, are mutually contradictory. The permanent tariff bill, if it should result in a substantial increase in protection, would operate as a restraint upon imports. The debt-refunding bill, on the other hand, in the form recommended by the Senate Finance Committee, would require the immediate payment, in semi-annual instalments, of the interest (now amounting to about $550,000,000 a year) upon the credits advanced during the war and early post-war periods by our government to the Allied governments. Assuming that Europe could now undertake this extra burden, these payments would in the last analysis take the form of increased imports into the United States. They would probably bring about the disappearance of our export balance which has been long predicted as the logical eventual outcome of our new international creditor position. How to reconcile these two problems—tariff policy and interest payments—in such manner as will best serve the interests of America without doing injury to Europe, our principal debtor and best customer, is one of the major economic questions now facing this country.

Debt-refunding and tariff policy are but two aspects, however, of the present international tangle, and their solution must rest upon a proper understanding of the numerous other phases of the situation, by which they are themselves affected, and upon which they will in turn exercise a powerful influence. Since the war the world has been in a state of economic instability never before witnessed on a similar scale. Most of the important countries are still off the gold standard, the foreign exchanges are depreciated and are subject to violent fluctuations which injure foreign trade and render hazardous the extension of credits. Gold has been pouring in unprecedented volume from the paper standard countries that need it most to the United States, which even before the post-war inflow began had nearly one-third of the total gold monetary stock of the world.

Greatest Experiment

Moreover, at a time of unprecedented disturbance and confusion there has been undertaken the greatest experiment in international finance which the world has ever seen. The German reparation payments, if carried through without very substantial reduction in amount and radical changes in method, will probably exert a greater influence upon the trade of the world in the next generation than any other single factor. The effects of the payments upon the payer and payee countries, their influence upon the foreign exchanges and the whole system of world banking and monetary relationships, their probable effects upon foreign trade and upon commercial policy here and in Europe, the study of possible alternatives to the present program both as to method and amount of payments—questions of this nature require the most careful consideration in all the interested countries.

Future Trade

Finally, there is the problem of the future of American foreign trade, its volume and importance in this post-war period compared with the pre-war period, its relation to domestic business, to foreign investment of American capital, and to the progress made during the war in foreign trade financing in dollars. The spectacular expansion of our foreign trade induced by the war has been followed by an equally spectacular decline. Both on the rise and on the fall the tendency has been to overstate our foreign trade situation and its possibilities. There is in many quarters at present a belief that for the United States foreign trade is, and will long continue to be, an economic mistake—American business should stay at home. On what does this attitude rest? Is this conclusion justified by the trend of events or by our new economic and political relations? It has recently been computed that the decline in the *quantity* of exports in the first nine months of this year was but 6 per cent., or in other words, that the falling off in foreign trade this year has been for the most part merely the expression of falling prices. The volume of our foreign trade in 1921, in spite of declines this year and last, has still been about one-fifth greater this year than the yearly average for 1911-14.

This entire group of problems requires as a preliminary to their intelligent consideration a sound doctrine of foreign exchange. At the Brussels financial conference of September, 1920, Dr. Gustav Cassel of Sweden undoubtedly made a profound impression by his paper on the "purchasing power parity" doctrine which had already become associated with his name. And since that time the writings on international financial questions on both

sides of the Atlantic have strongly reflected his views.

Professor Cassel believes that the present condition of depreciated exchange is due entirely to relative price inflation. If, for instance, prices rise from 100 to 320 in England and from 100 to 240 here, the pound will depreciate 25 per cent. in terms of dollars. If the rate was formerly $4.86 per pound it will now be $3.65, and this rate will be the "purchasing power parity," since at this rate the two moneys will have equal purchasing power. Price inflation in each country is determined, says Cassel, by the quantity of money and of goods; the fundamental cause of high prices, and thus of depreciated exchange, is the fact that the European countries have been financing themselves by reckless issues of inconvertible paper money.

Quantity Theory

It is unnecessary to discuss Cassel's version of the quantity theory of money, which is more rigorous than that held by most advocates of the quantity theory today. Without assenting to his version of the theory, I emphatically agree that the multiplication of paper money in Europe has been a fundamental cause of high prices, and also *one* of the fundamental causes of depreciated exchange. Since the Bullion Controversy of 1810 it has been part of the accepted teachings of economics that the excessive issue of inconvertible paper money causes its value to depreciate. Indeed, in J. S. Mill's chapter on "The Influence of the Currency on the Exchanges," written over seventy years ago, there is a striking passage which contains practically the whole of Cassel's doctrine of purchasing power parity. It is indeed a sad commentary upon the memory of man that a doctrine not essentially different from that freely and repeatedly expounded in every period of paper money since the Napoleonic Wars should in this most recent period have impressed the financiers of two continents as a new and profound discovery.

Though containing a familiar half truth, as an explanation of the forces that govern exchange rates when countries are trading on a paper basis, Cassel's doctrine is incomplete and inadequate. As a guide for financial policy it is dangerous. He dismisses as an unimportant and merely temporary influence the factor of public confidence in a government's ability ultimately to redeem its currency. Professor W. C. Mitchell, on the other hand, in his exhaustive study of our own greenback period, 1862-1879 ("A History of the Greenbacks"), concluded that confidence in the government's credit was the most important single determinant of the value of the greenback. Cassel likewise dismisses as a "popular idea" the view that the balance of international payments can affect the exchanges. This is a cardinal point of his theory. The trade balance, he says, is effect and not cause; it is governed by the general price levels of the trading countries, and cannot affect either prices or exchange rates fundamentally. If the actual rate of exchange should diverge from the "purchasing power parity," the divergence could not be either marked or prolonged, because it would soon cause such a shifting of exports and imports as would bring the rate of exchange back to "parity" and the trade balance to a new equilibrium.

In the Argentine

Cassel's insistence upon relative price levels as the *sole* factor governing exchange rates is untenable, and his concept of a "purchasing power parity" is, I am convinced, a pure myth. There is ample evidence that the balance of international payments can affect exchange rates fundamentally when the trading countries are on a paper basis. In my own investigation of Argentine international trade under inconvertible paper in the period 1881-1899 (*Argentine International Trade under Inconvertible Paper Money,"* Harvard University Press, 1920), which offers in many ways a striking parallel with the present depreciated paper régime in Europe, the effect of changes in the balance of payments upon the exchange value of the peso was very striking. In the years 1883-5, when there were no issues of paper money at all and the gold standard had been resumed, heavy interest payments due to England upset the exchange market, drained off the gold reserves, and broke down the currency system. The gold standard was abandoned and the paper peso went to a heavy discount. At other times the balance of payments acted as an offset against the issues of inconvertible paper. In 1885-8, when Argentina was again increasing its paper money freely, the depreciation of the currency was greatly moderated by the fact that a heavy stream of capital was flowing into the country from Europe. This situation was similar in effect to the exchange stabilization which was *consciously* practiced in the recent war, when sterling was pegged at only 2 per cent. discount by grants of credit by our government, the mobilization and return to this side of American securities, and other devices. From 1889 to the Baring panic of 1891 the two factors combined to hasten the depreciation of the currency, and the premium on gold mounted rapidly. Paper money was being issued freely and at the same time the interest charges on foreign capital were growing rapidly heavier. It was the latter factor which eventually brought about the collapse. As always happens in a period of rapid monetary depreciation, the government expenditures continually exceeded revenue, since the latter was relatively fixed by the budget whereas expenditures increased from day to day with the rise of prices. With the demand for bills of exchange growing steadily heavier as the interest payments on the foreign debt grew larger, the burden on the government at length became intolerable. The national government, all the provinces, and most of the banks defaulted amid a general collapse. This was the Baring Panic, which had such a serious repercussion in England and other countries. In the reconstruction period which followed, the effect of the balance of international payments upon the foreign exchanges was again strikingly evident. From 1891 to 1895 the quantity of paper currency was further increased, yet because of an arrangement made by the Rothschild Committee, representing Argentina's English creditors, whereby the interest on the foreign debt was made payable in funding bonds, the weight of these payments was taken off the exchange market and the

peso steadily improved. Eventually, in 1899, after a succession of favorable international balances, Argentina resumed the gold standard, redeeming its paper notes in gold at the market rate, which was then 44 cents gold per paper peso.

Proof in the Mark

A striking recent proof that the balance of payments can fundamentally affect the exchanges is to be found in the German mark. In 1919 a European economist pointed out that the value of the mark in foreign exchange was far below the value at which it passed current within Germany. The mark was, in other words, below its "purchasing power parity." This economist accordingly predicted, on reasoning similar to Cassel's, that the rate for marks would rise. It was at that time at three to four cents. Far from improving, it has declined to a fraction of a cent. And at no time during the process of its decline has the foreign exchange value of the mark been the same as its domestic value or shown any tendency to be influenced by the latter. Indeed, there is evidence that the relationship has been in the other direction. The foreign exchange value of the mark has had a strong influence upon its domestic value, the fall of the exchange being *followed* by a rise of prices in Germany.

General Price Levels

This, too, is in accord with the evidence furnished by other investigations and indicates clearly the mythical character of Cassel's concept of "purchasing power parity." Cassel's "relative price levels" are *general* price levels. They include the prices of domestically traded goods as well as of internationally traded goods—the prices of real estate, local securities, wages, fixed plant, and so on. It is obvious that the prices of goods not traded between nations can have little effect on the value of currency in the foreign exchange market. My own Argentine investigation, and also that made by Professor F. D. Graham of our greenback period, *International Trade of the United States in the Greenback Period,* unpublished Ph.D. thesis, Harvard University Library (in which Professor Graham made use of Mitchell's data already referred to), indicate clearly that there is a very close relationship between exchange rates and export and import prices, but that general prices lag behind. In other words, depreciation of the currency is most likely to show itself first in the highly organized foreign exchange market, and then to be communicated slowly to the more sluggish, less highly organized general commodity market. This is precisely the reverse of the process implied in the doctrine of purchasing power parity. Yet there can be no doubt that this process has been going on in Germany. The scramble to find bills of exchange to make the reparation payments, which drew from the Reichsbank recently a confession that it could not find enough bills to make the January payments, has undoubtedly been a major factor in the rapid fall of the mark in the last six months. The fall of the exchange has been accompanied by a rapid rise of export and import prices, but general prices have risen much more slowly and to a less extent. The result is that general price inflation in Germany could go much further than it has, and at the same time, if the balance of payments and other factors were favorable the exchange value of the mark could improve distinctly. Had the "purchasing power parity" doctrine been operative such a phenomenon would, of course, be impossible.

Professor Cassel has recognized that in the case of Germany, and to a less striking degree in the other countries, the statistical data has not conformed with the requirements of his theory. He has, therefore, modified his doctrine by pointing out that "one-sided restrictions on trade" will produce a level of exchange rates different from the purchasing power parity. In a sense this is lugging in the adverse balance explanation by the back door. By "one-sided restrictions," however, Cassel apparently refers only to governmental interference with the free workings of trade through war-time prohibitions or limitations of certain exports and imports. Though this is a step in the right direction he seems to me to be still far from conceding that the balance of payments, independently of changes in the level of prices and in other ways than through governmental restrictions on merchandise trade, can exercise a powerful influence on the rate of exchange and that this influence may be, and in many instances has been, of long duration.

Not One Factor Alone

It is a mistake to maintain that any *one* factor is responsible for depreciated exchange. In this present instance, the only "fundamental" cause of dislocated exchange in Europe has been the war itself. It caused the European countries to issue inconvertible paper, and also to demand goods and services from this country in quantities far beyond their ability to pay in goods or in gold. The paper money issues and the large adverse foreign balances were but different forms of borrowing, one internal, the other external. Either carried to the extent that it was would have been sufficient to cause exchange depreciation. In formulating financial policy at present it is of the utmost importance that both factors should be adequately considered. It is becoming increasingly urgent to find some means of enabling the European governments to balance their budgets in some other manner than by the issue of inconvertible paper notes. It is no less important to reduce to a minimum the international confusion produced under the present conditions by ill-considered alterations in international balances. That is one important reason why the problem of German reparations demands the most careful consideration. It has a significant relation also to our own program for debt refunding. Europe cannot under present conditions make heavy annual interest payments to this country without those payments producing important effects upon the state of the foreign exchanges.

The Business Outlook for 1922

By THOMAS B. McADAMS
Vice-President Merchants National Bank, Richmond
President American Bankers Association

While It Is Encouraging Overconfidence Should Be Avoided. United States Cannot Prosper With a Wall Around It. Solution of the Transportation Problem Essential to Agricultural Improvement

THE future of business and finance in the United States is encouraging, but overconfidence should be carefully avoided. The spirit of economy is growing throughout the country and, in fact, throughout the world, as is evidenced by the success of the disarmament conference in Washington, and there should be some measure of improvement during the year 1922.

The transition period in this country between war and peace has not been pleasant, and while we still have before us a great deal of necessary readjustment, we have made signal progress. Our most irksome burdens have been lightened and we are reaching the point where a majority of our people realize that easy war prosperity is no more and that our future depends to a great extent on the real hard work we do.

No Longer Isolated

The United States cannot live with a wall around her and prosper, and it is now time for this country to interest itself in the problems of Europe in order that the world be saved and American happiness, prosperity and security be maintained. Our relationship with the countries of Europe is closer than it ever was before. This is shown graphically by the development of electricity. That development alone has brought us into closer contact. Back in Revolutionary days it was thought in Virginia that the vote of that state was necessary to ratify the Constitution, and it was not until several days later it was learned New Hampshire had cast the deciding vote five days before Virginia acted. In March, 1821, Napoleon died and it was not until September that his death was known in this country. A few months ago Caruso died and within a few moments we knew of it.

Opportunity Has Come

Some of our leading politicians and newspapers have been advocating that America, enjoying liberty, peace and wealth, should refuse to disturb or endanger that condition by embroiling herself in European discussions or endangering her wealth and prosperity by extending aid at this time. That is the creed of the miser. I cannot believe that it is the spirit of this nation. It should be un-American. Certainly it is un-Christian. The day is past when America may sit by the wayside and see the rest of the world go by. A great opportunity has come to this country and American money should be occupied to the fullest extent in helping Europe to help herself. The cry for aid from abroad is an appeal from humanity and must be answered in a human, Godlike way.

I do not know just what form our answer is to take, but I do know that it lies somewhere in the soul of America, and at the proper time will be forthcoming. We may have to take some risk. We did that in 1917 and we must realize that there may be losses when we aid the rest of the world. It would be no less than cowardly if we failed in this great emergency, and we certainly cannot be more careful now of our dollars than we were then of our manhood. Upon the way financial America answers this great call depends the future prosperity of mankind.

Perhaps from an educational and legislative standpoint there is no phase of American life needing more intelligent attention than the encouragement of initiative in the individual. Paternalism in government is destructive of initiative and enterprise on the part of the individual and is to be avoided. The government should at all times be ready to cooperate and assist in the development of business, but it should direct only in those extraordinary cases where temporary supervision may be needed. The manner of dealing with the railroads for twenty years has not only seriously impaired their credit, but their ability to render proper service as well, and has put transportation generally in a position of subjection to both state and national governments to an extent where the normal growth of these facilities, so essential to prosperity, has been defectively checked.

Under existing conditions it would be impossible to produce another James J. Hill, with a willingness to risk all for the purpose of carrying railroads into undeveloped districts. In recent years we have seen almost as many rails torn up as we have seen laid. Even the oldest portions of the United States are seriously handicapped for lack of adequate railway facilities.

The Farmers' Condition

In my own state, Virginia, 40 per cent. of the counties are inadequately supplied and under existing conditions there is no way in which the situation can be remedied. The proper solution of the railroad problem, therefore, must be one which takes into account the imagination of a man and his ability to successfully overcome great difficulties, if at the end of the journey promises are held out to him of a reasonable possibility of his ultimate success.

Of all our intranational problems we have as one of the most important the restoration of the normal purchasing power of the farmer, which is most essential to

general business. The solution of this must be real, rather than by prescribing patent nostrums or by passing hasty legislation which may have a temporary stimulating effect and yet prove ineffective, if not damaging, in the long run. The solution of this, like all other problems, will be the slow and intelligent application of sound, economic fundamentals so that the problem may gradually work out to normal through one step being taken only after the preceding one has been successfully dealt with.

Here again we find the proper solution of the transportation problem most essential, if any real assistance may be given to the farmer. Lower rates to market on what he produces, and lower rates to his home on what he needs to purchase, will stimulate his buying power, his activity and his hope for the future. Since twenty-nine cents out of every dollar of revenue earned by the roads in the year 1916 was applicable as dividends and interest on their invested capital, this has been reduced to less than one cent out of every dollar in 1920. Due to the increased cost of labor and other operating expense, it is obvious that the relief will come only in proportion as to the reduction in the cost of equipment and labor and the other items of expense entering into railroad management.

Best Factor Is Growing Strength of Banks

By JOHN H. PUELICHER

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THE credit situation in this state is easier, due almost entirely to satisfactory liquidation of industrial and mercantile loans. Farmers' loans are being paid much more slowly, but country banks are beginning to reduce rediscounts and borrowings. Dairy and canning industries have made credit conditions in Wisconsin stable. A considerable amount of War Finance Corporation money is coming into the state. A large fraction of farm loans will have to be carried into next year.

Small Grains

The Wisconsin crop of small grains is estimated to be 53,000,000 bushels short of 1920 and 42,000,000 bushels below the five-year average; corn yield is ahead of last year's; hay crop is 1,100,000 tons less than 1920; potatoes, 21,400,000 bushels against 33,000,000 last year; cabbage, 61,000 tons, compared with 165,000 tons in 1920; field peas, 665,000 bushels against 1,063,000 bushels in 1920; sugar beets, 137,000 tons in 1921 and 236,000 tons in 1920; clover seed, 201,000 bushels against 338,000 bushels last year, and tobacco, 62,487,000 pounds, compared with 62,400,000 pounds in 1920. Conditions are reported exceptionally favorable for winter wheat and rye sown this fall.

Textile manufacturers, especially hosiery, made early and rapid recovery from depression. The trend in shoe manufacturing for the year has been upward, but improvement is very gradual—operations now average 80 to 85 per cent. Tanneries have had a gradual improvement. October was their best month and the future prospects are good. Automobile parts and accessories have had a better year than was expected. A few automobile specialty plants have done almost as good business as in 1920. Machinery, machine tools and electrical apparatus have been depressed for the better part of the year. Revival in these lines has just begun, and the prospect looks like very slow business until next year. Woodworking factories are doing well, being dependent upon the revival in building. Paper manufacturing has been better since about July. Many mills have large stocks of high-priced pulpwood on hand. Box factories have made a considerable recovery following the upward trend in other lines of business. The output of canned vegetables in Wisconsin is about 60 per cent. of last year's. The output of butter and cheese is as large as last year's. Storage holdings are considerably less than at this time last year. Cheese prices have recovered from low point and are being maintained.

Compared with July, 1920, the number of men employed in Wisconsin industries is about 34 per cent. less. For the past four months employment has increased about 6½ per cent. Increase in employment is largest in textiles, leather and shoes, food products, chemicals, paper and building trades. Average weekly earnings in Wisconsin industries are about 27 per cent. below the peak of August, 1920.

Milwaukee inbound freight was about 96 per cent. greater in weight in October than in April. Outbound freight increased 52 per cent. in October over April.

The trend is toward easier money rates, and there is nothing to indicate that it will not continue. The lift in investment securities points that way.

Lower costs and probable reductions in freight charges should enable the farmers to get out of debt and make some money next year.

Iron and Steel

The iron, steel and machinery industry is slowly recovering. This industry has thoroughly liquidated its costs and prices and should reap a reward of fair business in 1922, but this is largely dependent upon building construction and railroad orders for equipment and rails. Whether or not other industries now depressed will improve next year depends upon their ability to dispose of old stocks and bring down costs and prices. Good progress is being made along these lines.

Employment has been slowly in-

creasing. Whether men now out of work will be employed in 1922 depends upon wage agreements.

The strong urge toward general reduction in transportation rates will probably produce results. If accompanied by a proportionate reduction in the wages of rail employees, the railroads will be placed in a fairly good earning position.

The strongest factor in the present situation is the growing strength of the banks. The problems of railway rates and unduly high wages are in process of solution and will take time. Prices are irregular—some have fallen very low; others are still high—but this condition is working itself out, and besides, it is not by any means peculiar to a post-war period.

Entering the Year with Confidence

By WALTER W. HEAD
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BUSINESS men in this, the great agricultural section of the country with which territory I am most familiar, generally were pleased to see the end of 1921, for they expect to see a decided improvement in business conditions in 1922—perhaps not in the next ninety days, but long before the end of the year.

Holding His Products

The last few months of the old year have been disappointing. The condition of the farmer has been only slightly alleviated. Sufficient progress has not been made towards the equalization of prices of what the farmer sells as compared to his purchases to make him a ready buyer. He still feels a certain resentment because wages, freight rates and manufacturing prices generally have not suffered the same readjustment as the prices of his products. He is determined, and rightly, too, to continue to hold his products for better prices, and at the same time refuses to buy anything except the absolute necessities. In those communities where there is a vigorous leadership advantage is taken of the means offered, through the War Finance Corporation, for the relief of the farmer and ranchman.

Poultry and dairy farmers are relatively well off. The number engaged in this business, however, is comparatively small. There is a great deal of propaganda advocating a reduction of corn acreage for the coming season and the holding of the present crop wherever possible.

The farmer who has been able to finance live stock feeding operations is making money and will continue to do so on the present price of corn.

There can be no substantial improvement in the situation of the retail merchant until the farmer's problem is solved. Retailers have had only a fairly successful holiday season, perhaps as successful as conditions warranted, but not quite as good as they had hoped for. The quantity of goods exceeded that of a year ago, but the volume in dollars was less. Merchants in this section bought heavily of winter goods for the seasons of 1920 and 1921. Many of these purchases were carried over with the belief that they could be better disposed of this season. The mild open fall and early winter made it necessary for the merchant to dispose of this class of goods at a loss. New inventories will evidently disclose that in most cases very little progress has been made during 1921. The result will be that some of the weaker merchants will retire from business during the early part of the year.

Should Make Money

The merchant who has been in business long enough to know how to adjust himself to present conditions is doing a fair volume of business and should make money this year. There is no doubt but what the good merchant will survive, but those who came into business during the period of inflation will very likely be eliminated.

On the whole, stocks of goods are low, particularly spring and summer goods. Advance orders for spring delivery are being placed sparingly, so sparingly that if spring business is reasonably good merchants will have to go to market to replenish their shelves soon after the season opens. Where the wholesaler is asking an advanced price retailers refuse to buy until the old stocks are completely exhausted, and then only in small quantities.

Collections

Collections on the whole are good, particularly where credit departments are properly conducted and the necessary discrimination has been made between the real merchant who is intelligently meeting present conditions and the poor merchant who is not fitted to weather the storm. The elimination of the latter will not be an unmitigated loss to the public.

The strike of packing house employees has continued for a period longer than was expected when it began. The present attitude of the employees indicates that they are losing the strike and know it.

Through the efforts of the commission houses in discouraging shipments, receipts of live stock have been held down and as a result the strike has not depressed prices seriously, if at all.

On the whole, we are entering the new year with a very decided feeling that the worst is past and that the confidence, spirit and energy with which our problems are being dealt will in time satisfactorily dispose of them.

Conditions Gradually Getting Better

By J. A. HOUSE

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OBSERVATION of financial and business activities in the Fourth Federal Reserve District leads directly to the statement that conditions are gradually getting better. We say gradually because, in our opinion, under existing conditions any change must necessarily be slow. A rapid return to normal conditions is blocked so long as the many questions which have a vital and determinative bearing upon the situation remain unsettled. Just as fast as we solve these problems in a practical way we may count upon a steady and certain approach to normal business and financial activity.

The unsettled, chaotic conditions in finance and politics in Europe and the unfavorable exchange situation existing not only in Europe but in all the countries with which the United States transacts business, must be remedied. Future development and prosperity among our farmers, manufacturers and merchants are directly and indirectly affected by these conditions.

Labor, too, must bear its fair share in future deflation, which must take place before we can get back to normalcy. It is apparent, therefore, that strikes for higher wages are certainly not in keeping with the present order of things. In fact, they only tend to keep the industrial situation unsettled, and this naturally prevents stabilization of prices and hampers increased production and sales.

It is necessary for Congress to place upon the nation's statute books fair and equitable tax laws that will enable business to go forward and that at the same time will encourage the flow of capital through channels which mean investment—and not, as now, through channels of non-taxable, non-productive securities. Moreover, the credit of our railroads must be restored and Congress should promptly pass the railroad bill, funding the obligations of the roads to the government.

In the Fourth Federal Reserve District, which is dependent upon iron and steel, coal mining, rubber manufacturing and water transportation, activity in shipping and production at present continues on a low percentage. Business in general, however, is showing a slow but gradual improvement, and there is a widespread feeling among bankers, manufacturers and dealers that the bottom was reached some months ago and that, therefore, we may now expect a gradual resumption in all important lines of industry and finance.

Recent operating and financial reports from numerous plants in this section reveal improved conditions. Although production in general shows little increase, inventories of finished goods and raw materials have been considerably reduced, bank obligations diminished and costs cut. The large rubber companies announce slight increases in their working forces to meet spring demands. Production in steel continues low, but there is promise of improvement after the first of the year in anticipation of spring demands. Ore shipments to local docks this season totaled 22,300,000 tons as against approximately 58,000,000 tons in 1920, but a smaller amount of ore remains on the docks now than at this time last year.

There has been a considerable liquidation of so-called "frozen credits," and indications point to continued liquidation and steady improvement in this respect. Many companies have come into the market for long-time funds, issuing bonds, the proceeds of which are being used to pay bank loans. This, of course, eases the general credit situation. At the same time there is a reasonably active demand for money at fair rates of interest.

Conditions in this section of the country, I believe, indicate that our business men in almost every line of industry and trade are set to take immediate advantage of increased demand and opportunities which they are hoping for and anticipating.

Seattle Rapidly Approaching Normal

By RAYMOND R. FRAZIER

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BUSINESS conditions in Seattle and the Puget Sound District are rapidly approaching the normal.

Supply and demand in the lumber trade are about equal. The surplus is normal. Oriental demand has been brisk during the past three or four months and there is no indication of its slackening. The Australian market, which has been dormant, is opening up. The railroad market, while still slow, is improving. The yard demand throughout the eastern part of the United States has been unusually good. Stocks on hand in eastern yards are small and the demand has been nowhere nearly taken care of.

Intercoast business during the first six months of 1921 was double that of the entire year 1920, the shipment during 1920 being 49,000,000 feet, as compared with 98,000,000 feet for the first six months of 1921. The Oriental shipments for 1920 were 78,000,000 feet, while during the first six months of 1921 they were over 90,000,000 feet.

For local consumption the mills are cutting about 65 per cent. of normal and the logging camps are

running about 60 per cent., this latter condition being due in part to heavy rains in the mountains which has caused washouts, thus crippling logging operations. There is a shortage of logs on hand and the indications are demand for Pacific Coast lumber during the spring will be considerably in excess of the available supply.

Salmon

Salmon, one of four leading products of Puget Sound country, has for eighteen months past been considered "frozen asset," but market conditions are now improving. The pack of "pinks" and "chums" now on hand is about 1,600,000 cases. During the past five months more than this amount has been sold. The pack is not more than one-half of last year. On account of extremely low prices in 1920-21, due to lack of foreign orders, many packers find themselves unable to finance their operations extensively during the coming season, so the supply of canned salmon will be greatly reduced, regardless of what the salmon run may be. Some plants will not be able to operate at all. Salmon at present is about fifteen cents per case less than it was a year ago.

Canned Milk

Canned milk is selling now for thirty-five cents a case less than a year ago. Jobbers and retailers are buying in small lots with no disposition to stock up. This is usually the dull season of year for canned milk. Bulk milk on coast is quoted ten cents per hundredweight higher than in the Central States. The surplus stock has practically all been worked off.

Textiles

One wholesaler and one large manufacturer report sales have increased 25 per cent. during last six months and an average of 10 per cent. during last year. Retailers are buying more liberally than in the fall. One wholesale house reports that while they had no orders at this time last year for spring delivery, they now have a great many large orders and are running their factory on practically a normal basis.

Retail Trade

The volume of retail trade, from the standpoint of the number of articles or sales made, is about the same as this time last year, although the cash results are from 15 per cent. to 17 per cent. less, owing to a reduction in retail price on all commodities. However, the profits are also less, this being due to the fact that the overhead is still "geared up" to the former price levels and the retailers have not yet been able to get their overhead down to normal.

Wholesale Trade

Wholesale trade is about the same in volume and profit as six months ago. The wholesalers took their losses on January 1, therefore the business has not made very material changes. The indications are for better business in the immediate future. Just at this moment there are a great many shipments going into the fruit and wheat districts of eastern Washington, where the farmers have had abundant crops with fair prices.

Foreign Trade

Foreign trade in lumber, wheat and flour has greatly increased in the last few months, especially in wheat. During the season 1919-20 the wheat shipments from Seattle were 842,000 bushels, while for the season of 1920-21 they amounted to 4,334,000 bushels.

Metal Trade

The metal trade is perhaps in as bad condition as any branch of industry in the Northwest, having not yet recovered from the falling off in orders which came immediately after the war. However, the surplus stocks are being pretty well worked off; the demand is light, but there have been no bad failures and many concerns have been able to clean up. Generally the trade is "keeping its head above water."

Bank Interest Rates

Bank interest rates materially "softened" during the last twelve months, 1 per cent lower than at this time last year. Sufficient money to care for legitimate demands of business.

Bond Market

The bond market changed very rapidly in recent months. Municipal and quasi-municipal bonds which sold three months ago to yield 7¼ per cent. now sell to yield 5 to 6¼ per cent. The same is true with industrial bonds, while in high-class commercial paper the rate has decreased from 8 per cent. to 5¼ per cent. during the year.

Unemployment of Labor

In proportion to the volume of business done, unemployment is about normal. It is estimated that from 8,000 to 10,000 men in all lines of trade are idle. A majority of these belong to metal trades. There is only one large project in view at present that will employ any considerable number of men—the city's hydro-electric plant on Skagit River.

Fruit and Grain Production

It now appears the 1921 fruit crop in Washington will for the first time in history exceed the value of the wheat crop of the state. Both crops have been very fine in 1921. The wheat production amounted in round numbers to 50,000,000 bushels, worth on an average $1.10 a bushel, making approximate receipts from this crop $50,000,000. The fruit crop is 25,000,000 bushels of apples and about 2,000,000 bushels of other fruit, the receipts from which will amount to a little over $50,000,000. The price of wheat has fallen more rapidly than has fruit. Immediately after the war, when they were receiving abnormally high prices for products, farmers overpurchased farm machinery, automobiles, etc., and with the falling prices of farm commodities find themselves in somewhat straitened circumstances, but they seem to be full of determination and are now cutting down their overhead to the minimum. In all probability the farmers of the state of Washington will be back on a normal basis earlier than in most parts of the country. There have been very few farm mortgage foreclosures and the indications are that there will not be many.

Taken all in all, the situation in Seattle and vicinity is more encouraging now than it has been at any time during the past year.

1922 the Year of Entry

By JOHN G. LONSDALE
President of the National Bank of Commerce, St. Louis; President National Bank Division, American Bankers Association

IT is a sober responsibility that a banker faces when he gives advice or opinions as to the future of business. Personally, I cannot fully subscribe to any of these "sunshine movements"; neither am I a pessimist with a blue funk future and a dismal past. What we need in 1922 is neither of these attributes, but a determination to contribute individual effort to the utmost, having in mind that America has always been greater than her greatest problem.

Heads Up

The most important contribution of 1921 was, and the most necessary thing to 1922 is, sane courage. Nothing is impossible to Americans with their "heads up."

Though the future is hopeful, the man who would specifically answer the "What of business" query, especially extending over another crop year, would be either a wizard or a fool. Employing the "well-informed-observer" and "those-in-a-position-to-know" attitude, along with the time-honored safety adverbs, "if" and "perhaps," the job might be attempted, and so, yielding, I write:

We can only use the sign posts of the past as experience to apply to the future. For its wealth of experience 1921 will undoubtedly be awarded the prize for all time. If commercial leaders benefit, it shall not have been in vain. The year was perhaps one of the most trying periods in business history, yet the business men, particularly the bankers, met the situation with credit—both literally and figuratively.

The time for any anxiety seems to me to be entirely past. The middle of 1922, unless reactions occur, should see recovery well established. Trade should, without unforeseen drawbacks, continue improving throughout the year, leading us, however far ahead, to a period of solid prosperity incomparable to any other era.

We feel the restricted influences of a year of rigid adjustment and there yet remains purging to be done. The tone of business as we turn the new year, while distinctly encouraging, can be vastly improved by completing liquidation. That is why reviewers refer to the degree of improvement as "spotted." Those firms, wholesale and retail, who were the first to reduce and take their losses are today farther along the road to recovery. Their example should be followed.

Readjustment, though well started, is not complete. Agricultural interests bore the brunt of the reduction in price, far exceeding the industrial losses. The farmer, with less organization than in industry, is taking the reversal courageously. Yet he cannot be expected to develop into a purchaser of other than bare necessities with the widely varying price levels between farm products and factory products.

When the farmer stopped buying we lost 50 per cent. of our purchasers, so his return as a heavy buyer in 1922, by reason of bountiful crops, produced more economically and marketed at a fair profit, would be the most important economic factor for betterment in the coming year.

Watchfulness!

The major influences for 1922 in business, in the home, in every walk of life, should be watchfulness—not a policy of parsimony, but a determination to reduce waste, increase efficiency or production, lessen costs and let pure reason be the basis of profits.

Our present form of taxation is not conducive to enterprise. Certain phases of existing tax laws are confiscatory in nature and have served to stifle, at a time when encouragement was most needed, the business spirit of the country.

It should, of course, be fully realized that the debts of war must be paid, but why sacrifice the source of greatest possible return? What, for instance, would be the solution if the present taxation discouraged industrial incentive to the extent of reducing business to where the required aggregate for taxes for the year would be seriously jeopardized? It is entirely possible under this tax law to siphon out of a going concern, through taxation, based on profits less in cash and more in paper, the quick assets of a firm, leaving no ratio upon which to base credits. This in spite of what would ordinarily be considered competent management.

Discouraged by Law

Business needs, more and more, legislative understanding in this matter of taxation. The government should realize that the annual aggregate in volume of business—the backbone of the present taxation system—is the very thing that is drastically discouraged by law.

Conditions seem propitious for a betterment of railroad operations during the coming year. If measures are enacted bringing the cost element in all industry, but especially in railroads, to a level far below the period of war inflation, then the whole tone of American business will improve. Holding up of more marked readjustment in our transportational system was a retarding factor in 1921. It is almost safe to say—so important are our arteries of transportation to trade—that general business in 1922 will grow in proportion to the rehabilitation and complete readjustment of our railroads.

All of the things necessary to commercial betterment seem to have been set in motion, or are in prospect, so that 1922 should go down in history as the year of entry into, if not actually attainable therein, the era of our greatest and most golden prosperity.

With Special Reference to the South

By R. S. HECHT

President Hibernia Bank and Trust Company, New Orleans; President State Bank Division, American Bankers Association

SO far as our immediate section is concerned, we can safely say that conditions have very much improved. New Orleans still leads all southern cities in the amount of business done as reflected by retail sales and other indicators. The shipping through our port shows a decline in value, but not in quantity, and the unemployment problem never did assume such a serious aspect as it did in other sections of the country.

Cotton and Credits

The agricultural situation has been a most complex one in the south during the past year. The cotton crop was the shortest which has been produced in this country in twenty years, but fortunately the price increased sufficiently to offset, to some extent at least, the shortage of the crop. But while this increase in price did not really help to make the cotton planter prosperous, it did help tremendously to improve the general business situation in the south, and enabled many of the southern banks to get themselves into more liquid shape than they had been for the past year or more. Most of these banks had, by force of circumstances, been compelled to carry over substantial loans, based on cotton produced in 1919 and 1920, which for a long period of time had been entirely unsalable until this rise in the price and improvement in the demand came along and helped these banks to liquidate many of their frozen loans. As a result the entire credit situation in the south took on a more cheerful aspect, and when the crop-moving season came along the country banks found little difficulty in taking care of the demands made upon them to finance the harvest.

The rice crop has been a fairly good one and, unlike last year, the market has been quite active, except for the closing few weeks of the year, when there was a sudden falling off in the demand both for domestic and export purposes. However, those best in a position to know seem to feel confident that there will be greater activity in the market again after the turn of the year.

Liquidation in the rice district has been correspondingly slow, and it will probably take at least one or perhaps two more crops, produced at a low cost, to again put the farmers and bankers in a really comfortable position.

The corn crop has been quite large, but unfortunately the price is very low. On the other hand, the south is not suffering as much on account of the low price of this product as are the middle western states, because in our section corn is not really looked upon as a "money crop," but is raised largely for home consumption. Most of the farmers have their cribs filled with corn for the coming season, which means that their cash requirements for crop-making purposes will be materially reduced.

Sugar Unsatisfactory

The sugar situation is a most disappointing one. The crop is one of the best which Louisiana has ever produced, but owing to the disorganized conditions in Cuba and an overproduction, or perhaps we should call it the underconsumption of sugar throughout the world, the price has become abnormally low. In fact, even with the reduced costs of labor and material, the price is now decidedly below the cost of production. It is not to be expected that this state of affairs can long continue in the sugar market, but unfortunately the production of sugar is not as easily controlled as is that of other farm products. The reason is that one cannot reduce the acreage in sugar as readily as in cotton, for instance, because cane once planted will produce three successive years in Louisiana from the same seed, and in Cuba the same field will produce from seven to ten years. Nevertheless, lack of money to cultivate and the lack of incentive to work the fields will materially reduce sugar production during the coming year, and with a reasonable increase in consumption in the European countries some improvement in the price of the commodity may be looked for.

The most encouraging thing about the agricultural situation in the south is the fact that great economy has been practiced in all of the farming districts during 1921, and the lessons of the last year or two induced farmers to pay more heed to the advice of the bankers, who have long been preaching the doctrine of greater diversification of their crops.

No Quack Remedies

Inflated prices, over-speculation and over-trading, the natural consequences of the War, have inflicted wounds upon the economic and business body of the world which only time and patience can heal. It will not do to attempt to hasten the patient's recovery by administering patent medicine stimulants or quack remedies of any sort for such a course will prolong rather than shorten the period of convalescence.

Experience has taught us that legislative relief in the cases of this kind too often has the same effect as a narcotic upon the human body; it appears to give temporary relief, but it weakens the patient's constitution and drags him down instead of building him up.

Instead of appealing to Congress to pass new laws to cure our domestic ills, we should give more attention to the economic troubles of Europe which are really at the bottom of our difficulties. Unfortunately, too few of our people seem to realize the truth and importance of this statement. The answer is usually made that the importance of the European markets is exaggerated, because Europe takes but a small percentage of the various products which we export. This is quite true, but that percentage represents our "Surplus," and it is always the surplus, the oversupply, that makes prices come down.

In agriculture as well as in industry, the war taught us how to increase our production on a large scale, and if these surplus products

cannot be used in international trade, we will first have a decline in price, then increased unemployment, and finally a gradual lowering of the American standard of living.

It is our belief that we will not again have real prosperity in this country until some kind of economic restoration has been accomplished in Europe, and a stable basis for international trade worked out. But how shall we accomplish this, and what is the remedy?

President Harding has earned the gratitude of the world in calling the nations together for the Disarmament Conference in Washington, and much has already been accomplished at that meeting. But no matter how successful may be the work of this conference, it will be incomplete unless it is shortly followed by an international economic and financial conference, to discuss the finding of ways and means to resume normal international trade relations, and to remedy the ever-increasing inflation of currencies of several of the important European nations. Needless to say, no such remedy can ever be found until extravagance ceases, budgets are balanced and governments halt the work of the printing presses in the production of imaginary wealth.

These are delicate questions, of course, and it is well, perhaps, that the initiative for such a conference should come from Europe rather than from this country. However, the success of the disarmament conference seems to justify the hope that much might be accomplished at such a conference, and while no one in this country wants to mix in old world politics, it behooves us to lend a helping hand in solving the economic ills of Europe, because upon the restoration of these nations depends in a large measure the revival of real prosperity in our own country.

Most Talked of Advertising Stunt

By EDNA R. HERRON
Assistant Cashier Crawfordsville (Indiana) State Bank

THE year 1921 has been a very hard one in this section, where we depend so much on the farming community, but we have been able to keep our dividends at the same place that they have been for several years. We have kept the advertising going constantly and have watched every opportunity.

While we have used the newspapers to a limited extent, a monthly trade review, a few programmes and special editions of papers, our main effort has been put on letter writing and circulars or enclosure slips.

During the last year we sent a monthly letter to the stockholders calling their attention to the fact that it was the duty of each director to give attention to the bank just as he did to other lines of business and requesting that he put his bank in touch with all deals where money was changing hands so that we might work for deposits.

To a big mailing list we sent a card each month directing attention to the bank. All holidays and all special occasions were utilized, such as thrift week for girl scouts, baby week, book week for children, the opening of school, and conventions were utilized as opportunities for a letter to our mailing list. There is always something on which a good message may be sent to the people. Thus the name of the bank constantly has been kept in the public mind.

But the most talked of stunt we ever tried is—"Ask State Bank." This summer we procured 1,000 metal signs about 11x14 inches, a blue background with the words "Ask State Bank" in white. These were nailed up in prominent places in the city and on all the rural roads. A special "Ask State Bank" folder was mailed all over the county and we printed "Ask State Bank" in the newspapers with appropriate comment. That sign brings people to our bank and even tourists come to us for information.

Anyone can write effective letters and circulars if they will write *to* the people.

Convention Calendar

Date	Association	Place
March 22-23	Central States	Milwaukee, Wis.
April 19-20	Louisiana	
April 21-22	Florida	Gainesville
April 27-28	Tennessee	
May 4-5	Arkansas	
May 8-12	Exec. Council, A. B. A.	White Sulphur Springs, W. Va.
May 9-10	Mississippi	
May 9-10-11	Texas	Fort Worth
May 10-11-12	National Foreign Trade Council	Philadelphia, Pa.
May 16-17	Missouri	
May 16-17-18	Maryland	Atlantic City, N. J.
May 18-19	Kansas	Wichita
May 18-19-20	Alabama	
May 23-24	Oklahoma	Oklahoma City
May 24-25-26	Georgia	
May 24-25-26	Pennsylvania	Pittsburgh
May 24-27	California	Del Monte
June 5-6-7	Iowa	Davenport
June 15-16	North Dakota	Minot
June 22-23	Illinois	
July 17-20	American Institute of Banking	Portland, Ore.

Honors President McAdams

The William and Mary Chapter, mother chapter of Phi Beta Kappa at William and Mary College, Williamsburg, Va., on December 5 initiated as honorary members Julius Barnes, former director of the United States Food Administration Grain Corporation; Fairfax Harrison, president of the Southern Railway, and Thomas B. McAdams, President of the American Bankers Association.

Deduction of Charitable Gifts

THOMAS B. PATON
General Counsel

THE new Revenue Law contains some important amendments affecting charitable gifts which are of especial interest to trust companies and other trustees to whom are made gifts for charitable purposes.

The Revenue Act of 1918 allowed an individual, in computing his net income to deduct, up to 15 per cent. thereof, gifts to corporations organized and operated exclusively for religious, charitable, scientific or educational purposes or for the prevention of cruelty to children or animals, no part of the net earnings of which inured to the benefit of any private stockholder or individual; also gifts to the special fund for vocational rehabilitation.

It will be observed that this exemption did not specifically include gifts to community trusts nor to corporate or individual trustees for charitable purposes, but was confined to gifts to corporations organized for charitable and other specified purposes.

Through the efforts of the Committee on Community Trusts of the Trust Company Division, represented by William Greenough, counsel, and F. J. Parsons, director of the New York Community Trust, associated with James A. Garfield, counsel for the Cleveland Foundation, and cooperating with the Committee on Federal Legislation of the American Bankers Association, the former law has been amplified and the new revenue bill now provides that in computing the net income of an individual there will be allowed as deductions (Section 214 (a) (11)):

"Contributions or gifts made within the taxable year to or for the use of: (a) The United States, any state, territory, or any political subdivision thereof, or the District of Columbia, for exclusively public purposes; (b) any corporation, or community chest, fund or foundation, organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, including posts of the American Legion or the Women's Auxiliary units thereof, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual; or (c) the special fund for vocational rehabilitation authorized by Section 7 of the Vocational Rehabilitation Act; to an amount which in all the above cases combined does not exceed 15 per centum of the taxpayer's net income as computed without the benefit of this paragraph. In case of a nonresident alien individual this deduction shall be allowed only as to contributions or gifts made to domestic corporations, or to community chests, funds or foundations created in the United States, or to such vocational rehabilitation fund. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Commissioner, with the approval of the Secretary."

The provision that contributions or gifts "to or for the use of" (b) "any corporation or community chest, fund or foundation organized and operated exclusively for religious, charitable, scientific, literary or educational purposes * * *" may reasonably be construed as covering not only gifts directly to the beneficiaries named in subdivision (b) but also gifts to corporate or individual trustees for the benefit of such specified beneficiaries. However, it probably limits the right of deduction to gifts for the benefit of the beneficiaries named and if, in the creation of any trust, a trustee was given discretion to select other beneficiaries presumably the gift would not be deductible.

In the report of the General Counsel made to the annual convention at Los Angeles in October, before the language of the amendment was finally agreed upon, which report was published in the JOURNAL for November, it was stated that the amendment as then contained in the pending revenue bill did not make it clear that a gift to a trustee for charitable purposes where the trustee was not a charitable organization could be deducted. The language in the law as finally passed, "to or for the use of," certain named beneficiaries, makes it reasonably clear that a gift to a trustee for the use of any of the charitable organizations mentioned in subdivision (b) of paragraph (11) above would be deductible.

American High Commission

The Inter-American High Commission established by treaty with all South American countries was formed to act in common as an advisory body to the governments in perfecting commercial and financial practices between the various countries. The commission was valuable in the negotiation of treaties for facilitating the work of commercial travelers and in many other ways. The commission has under consideration in its various national sections a uniform commercial law amongst American republics, laws governing industrial and literary property, simplification of fiscal administrative relations in the matter of customs, etc. President Harding has appointed Secretary Hoover chairman of the United States section of the commission. There has been a change in the personnel and the membership of the United States section is now as follows: Honorary chairman, A. W. Mellon, Secretary of the Treasury; chairman, Herbert Hoover, Secretary of Commerce; vice-chairman, Wesley L. Jones, chairman Senate Committee on Commerce; Joseph H. Defrees, president of the Chamber of Commerce of the United States; Thomas B. McAdams, President American Bankers Association, vice-president Merchants' National Bank of Richmond; A. C. Miller, member Federal Reserve Board; O. K. Davis, secretary National Foreign Trade Council, New York; Myron W. Robinson, president American Manufacturers' Export Association, New Jersey; John H. Fahey, publisher, of Boston; W. O. Hart, director Comparative Law Bureau, New Orleans, La.

The offices of the commission will be removed from the Treasury to the Department of Commerce.

There were 14,463 forest fires in the pulpwood regions of the United States during 1920, burning over 2,069,408 acres, according to a report compiled by the Woodlands Section of the American Paper and Pulp Association, in cooperation with the United States Forest Service.

Bank Taxes and the Federal Income Tax

THOMAS B. PATON
General Counsel

THE attention of members is called to the recent amendment of the Federal Revenue Law as contained in the new revenue bill, by virtue of which every bank which pays taxes assessed upon its shares of stock in the hands of stockholders is entitled to deduct the amount of such taxes from its gross income.

Section 234 (a) of the new Revenue Law permits as a deduction, in computing the net income of a corporation, "(3) taxes paid or accrued within the taxable year" with certain exceptions. Then it provides:

"The deduction allowed by this paragraph shall be allowed in the case of taxes imposed upon a shareholder or member of a corporation upon his interest as shareholder or member, which are paid by the corporation without reimbursement from the shareholder or member, but in such cases no deduction shall be allowed the shareholder or member for the amount of such taxes."

Heretofore deduction of taxes paid to state authorities by banks upon their shares of stock has not been permitted in computing Federal income because, in theory of law, the tax is not paid by the bank upon its own property, but is paid by the bank as agent of the shareholder upon his property in the shares; while, therefore, other corporations were permitted to deduct taxes paid the state from gross income, banking corporations being denied this right of deduction were virtually discriminated against to this extent because seldom, if ever, was the bank reimbursed by the shareholder and it was practically the same as if the bank was paying the tax upon its own property.

It is important to note that the amendments to the income tax take effect as of January 1, 1921, so that these deductions will be allowed banks in computing 1921 net income. Information as to this amendment has heretofore been communicated to the banks through various channels, but correspondence from time to time received indicates that many of our members are not aware that the law has been so amended; furthermore, some members were of the impression that it applied to national banks only or to banks which are members of the Federal reserve system; while, as shown above, it applies to all corporations.

Much credit is due a committee of the State Secretaries Section (consisting of M. A. Graettinger of Chicago, Ill., chairman; W. F. Keyser of Missouri and Andrew Smith of Indiana, associated with Theodore S. Cady of Kansas City as special expert) who, in cooperation with the Committee on Federal Legislation of the Association, worked unceasingly for the procurement of this amendment until success was achieved.

Will Remove an Obstacle to Foreign Trade

THERE is pending in Congress a bill (H. R. 6040) which, if enacted into law, will remove a serious impediment to foreign trade, and as the expansion or the contraction of foreign trade means more market or less market for surplus products whether wheat from Dakota, cotton from Texas or machines from Connecticut, the bill is of real importance to business and banking in every community.

Section 19 of the Federal Reserve Act, relating to the manner of determining the balances against which Federal reserve deposits are required, reads as follows:

"In estimating the balances required by this act, the net difference of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which required balances with Federal reserve banks shall be determined."

The Federal Reserve Board rules that this provision does not authorize the deduction of foreign currency balances *due from* foreign banks, from balances *due to* banks. It, in effect, has always held that the factors used in determining the balances should be payable in dollars. The Board does not feel under existing circumstances that Congress intended to permit the deduction of all foreign currency balances irrespective of whether or not they may be convertible readily into dollars. Cognizant of the hardship which the law as it now stands and is construed imposes on banking, and which hardship also falls on the foreign trade customers of the member banks, the Federal Reserve Board feels that the injustice should be corrected by legislative amendment. By the proposed amendment (H. R. 6040) this new paragraph would be inserted:

"In estimating the balances required by this act the net difference of amounts due to and from other banks and bankers shall be taken as the basis for ascertaining the amounts of bank deposits against which required balances with Federal reserve banks shall be determined, and deposits due from banks or bankers located in foreign countries payable in money or currency in those countries may be included in amounts due from banks and bankers to such extent and subject to such conditions, limitations and restrictions as may be prescribed by regulations issued by the Federal Reserve Board."

While the proposed amendment gives relief to banks from an unjust situation never contemplated in the phrasing of the original law, this amendment will remove an obstacle to foreign trade no matter whether the foreign trade operation is under Edge Law corporations, the Foreign Trade Financing Corporation, the ter Meulen plan, or ordinary banking methods.

Progress of the ter Meulen Bond Plan

By SIR DRUMMOND DRUMMOND FRASER, K. B. E., M. Com.
Organizer

THE American press has given such full accounts of my movements in San Francisco, St. Louis, Mo., Washington and New York, before my return to my own country, that I feel it would be futile to recapitulate what I accomplished in these cities. The consensus of opinion in America I have taken to be strongly in favor of the ter Meulen plan, because the bonds will only be issued by governments who have adhered to the conditions laid down by the Brussels International Conference.

I found that there was a general agreement that the bonds would form a satisfactory basis for credits, which financial opinion in America regards as necessary not only to the restoration of Europe but to the interests of their own exporters. Some of the leading exporters in America are already urging importers in war-stricken countries to induce their governments to apply for the issue of ter Meulen bonds.

It was a great satisfaction to me to find that many of those who had interested themselves in the machinery for financing long-term credit, were keenly alive to the complementary nature of the bonds to the Edge Corporations. I therefore returned to my own country bearing this message of approval from America, which I find is having great weight with the countries of Central Europe, whose greatest creditor is America. It struck me that the accumulation of liquid resources in bankers' hands in New York is producing a keen search for investments. There is, however, especially in New York, a profound misgiving of the political and economic conditions in the Central European countries, and a fear that, unless the German reparations are settled on a sound basis, the whole European recovery will be delayed. I found that it was largely from the point of view of the economic soundness of the ter Meulen plan that it met with approval, because the bonds would only be issued provided the governments observed the principles laid down at the Brussels conference.

The London *Morning Post* quoted an article from the *Wall Street Journal* of November 17, in which the following occurred:

"What Central Europe needs most is ability to get to work and to be forced to stop the government excesses. The ter Meulen plan does this. It says to the needy nations: 'Yes, we will help you get the goods you want; we will take your properly secured government bond in temporary payment. But you must shut off your note-printing presses, you must begin to balance your budgets, you must remove trade restrictions, and you must only import those goods on credit which are essential to your reconstruction.'"

The British government has now agreed, in its extended Export Credit Scheme, to guarantee its own manufacturers, holding a ter Meulen bond, 100 per cent. This means that the British manufacturer can discount a bill or obtain a bank advance without recourse.

I have secured, at my express wish, from the International Chamber of Commerce, a referendum on the application of the ter Meulen plan. This is following the example which America has given to the world in regard to her budget, with such magnificent results.

I am now in serious negotiation with several countries which are being made to realize that by no other method can they obtain the required credit and that this credit can neither be of value to the giver nor to the receiver until the conditions are complied with.

In the leading papers of Great Britain, France and a few other countries, comments are now appearing, which reveal an organic conviction that the solution narrows down to the application of the ter Meulen bond. These principles will have to be applied to the German reparations, and, later, they will solve the Russian difficulties. In all this America has played her part.

Banker-Farmer Conference

Practically every farm organization of Iowa was represented at a conference of bankers and farmers held in Des Moines December 7 to discuss the condition of farming in that state and to explain the work of the War Finance Corporation. Four hundred persons were in attendance, including C. H. MacNider, president First National Bank of Mason City; Frank B. Yetter, Davenport, president Iowa Bankers Association; W. J. Murray, State Superintendent of Banks, Des Moines; W. O. Reed, Deputy Superintendent of Banks, Des Moines; E. R. Campbell, Fort Dodge, vice-president Iowa Bankers Association; members of the Council of Administration of Iowa Bankers Association and the Agricultural Committee of Iowa Bankers Association.

"We earnestly urge," declared the conference in formal resolution, "upon every banker in the state of Iowa that he can obtain funds from the War Finance Corporation on his agricultural paper, and that he should furnish to the farmers to his communities, through this source, money necessary for the proper conduct of their farms.

"We wish to call to the attention of every farmer and farm organization in this state that there are funds available to responsible farmers through their local banks, and that they should take up with their local banks the securing of funds to meet their needs.

"We also wish to call the attention of both the bankers and the farmers of the state to the fact that it is the wish of the War Finance Corporation to make loans through the present existing banks and other financial institutions, but that if the banks in any given community do not for any reason see fit to serve their community by obtaining funds from the War Finance Corporation, then new institutions may be and will be set up to serve such communities."

Offered Aid to the Government

December Meeting of the Administrative Committee in Washington. Association Tenders Its Assistance to President Harding and Departmental Heads in Solving the Many Foreign and Domestic Problems Affecting the Country's Business. Resignation of Executive Manager Bowerman Accepted and Fred N. Shepherd Appointed to Succeed Him. Opposition to Soldiers' Bonus Bill Reaffirmed. Next Annual Convention Will Be Held in New York City

FOR the first time in the history of official Washington the bankers of the United States, represented by the Administrative Committee and the chairmen of the commissions of the American Bankers Association, last month offered the government their full cooperation in meeting and solving the foreign and domestic problems of the United States.

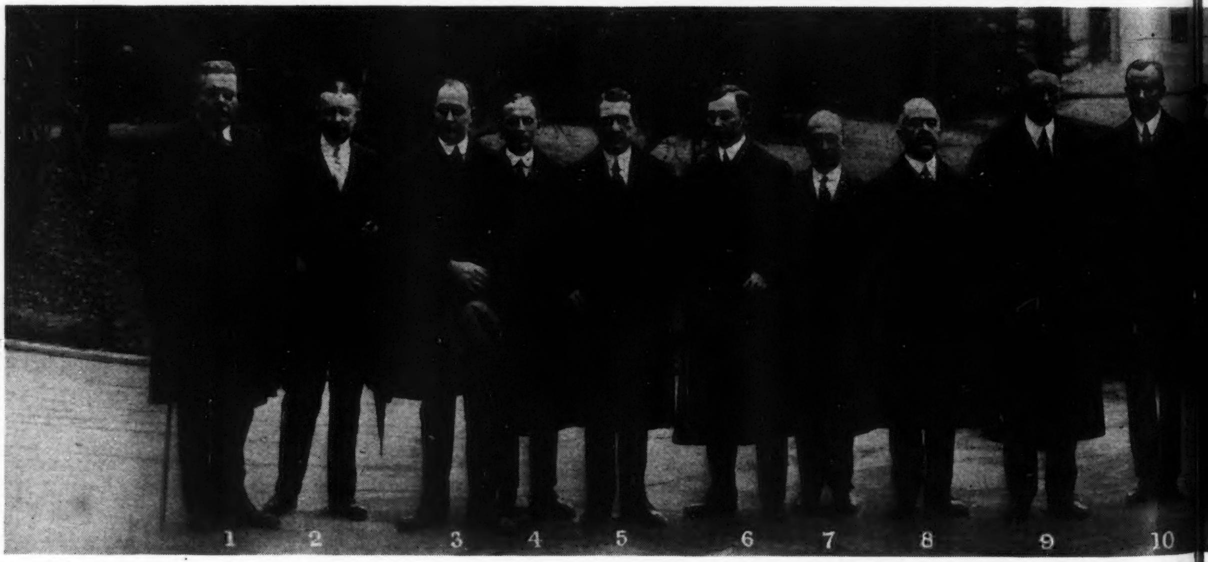
This offer was made on the occasion of the December meeting of the Administrative Committee, which was held at the New Willard Hotel, December 12-14.

The bankers called on President Harding, Secretary of the Treasury Mellon, Governor Harding of the Federal Reserve Board, General Dawes, Director of the Bureau of the Budget, the War Finance Corporation, Comptroller of the Currency Crissinger, Dr. Tigert, Director of Department of Education, Courtland Smith, Secretary of the Board of Trustees, Postal Savings, and Herbert Hoover, Secretary of Commerce, and other department heads.

President Thomas B. McAdams offered to the President of the United States, cabinet officers and other department heads the cooperation of the bankers of the country. At the same time he asked how the individual banker could best extend his aid to the government.

"Both national and international affairs were discussed and the officials of the government were most cordial in the reception accorded the bankers," said Mr. McAdams, "and they assured us they would welcome heartily our cooperation toward working out in a broad national way the business and financial problems of the country which are so deeply interesting at this time to the American people.

"This was especially so with reference to assistance from the individual banker in his community toward the formulation of a sound business policy for the nation affecting both its internal and external commerce. Especial emphasis was also laid on the agricultural situation and the problems of the farmer in connection with planting of the 1922 crops and their marketing on a proper basis."



OFFICERS, ADMINISTRATIVE COMMITTEE AND CHAIRMEN OF COMMISSIONS OF THE AME

Left to Right: 1—Frank L. Hilton, New York; 2—John S. Drum, San Francisco; 3—J. W. Barton, Minneapolis; 4—Dr. John H. Williams (Economist), Ha President, Milwaukee; 9—Thomas B. McAdams, President of the Association, Richmond, Va.; 10—Walter W. Head, 2d Vice-President, Omaha; 11—J. A. H Kempner, Galveston, Texas; 17—W. G. Fitzwilson, New York; 18—Geo. O. Walson, Washington, D. C.; 19—Joseph Wayne, Jr., Philadelphia; 20—Thomas B. Pa

There were private informal dinners Monday evening, December 12, and Wednesday evening, December 14, in the Fairfax Room of the New Willard, the Administrative Committee entertaining government officials and District of Columbia bankers. On Tuesday evening the members of the committee and the chairmen of the commissions were guests of honor at a reception provided at the Racquet Club by District of Columbia bankers.

Business meetings of the Administrative Committee were held on Monday, Tuesday and Wednesday and during their course the resignation of Guy E. Bowerman as Executive Manager was accepted with extreme regret, and Fred N. Shepherd, who has been Manager of the Field Service Department of the United States Chamber of Commerce, was appointed to succeed him.

In commenting on Mr. Bowerman's resignation, Mr. McAdams said that his services to the Association have been of exceeding value during his two years as Executive Manager, especially in coordinating the departmental work of the Association under the new constitution.

At the annual convention of the Association in Los Angeles the report of the Committee on Resolutions included the following:

"Economy in government demands the elimination of all unnecessary expenditure which would further increase our national debt or the burden of taxation. We are therefore opposed to the Soldiers' Bonus Bill, which would require compensation without regard to disability. For our soldiers who are disabled as the result of the war, we urge the fullest compensation and care on the part of the government."

The Administrative Committee reaffirmed by resolution its opposition to the soldiers' bonus contained in the foregoing resolution.

The President appointed a special committee, consisting of M. A. Traylor, Francis H. Sisson, John G. Lonsdale, J. W. Barton and General Counsel Paton, to confer with a delegation of tax commissioners who were cotemporaneously in Washington with reference to bills pending in Congress to amend Section 5219, Revised Statutes, relative to state taxation of national banks. The committee reported back to the Administrative Committee that such conference was held but that no agreement was reached. The tax commissioners insisted on a bill which would permit the states to tax national banks at any rate they pleased, provided only state banks were taxed to the same extent. The bankers did not agree to this. The committee suggested the appointment by the President of a special committee to handle this subject, and the President subsequently appointed a committee consisting of Oliver J. Sands, president American National Bank, Richmond, chairman; Roy C. Osgood, vice-president First Trust and Savings Bank, Chicago, Ill.; E. M. Wing, president Batavian National Bank, La Crosse, Wis.; Morris F. Frey, assistant treasurer Guaranty Trust Company, New York, and Elmer A. Onthank, president Safety Fund National Bank, Fitchburg, Mass. This committee will meet with a committee of the tax commissioners in the near future relative to H. R. 9579, which is the bill introduced at the request of the commissioners, and if no agreement is reached the attitude of the bankers upon the question of what, if any, amendment of Section 5219, U. S. Revised Statutes, is necessary in view of its recent interpretation

AMERICAN BANKERS ASSOCIATION AT THE WHITE HOUSE, WASHINGTON, D. C., DECEMBER 12, 1921.

nomist), Harvard University; 5—John G. Lonsdale, St. Louis, Mo.; 6—Melvin A. Traylor, Chicago; 7—Dr. Walter Lichtenstein, Chicago; 8—John H. Puelicher, 1st Vice-A. Ho[illegible], Cleveland; 12—R. S. Hecht, New Orleans; 13—Fred I. Kent, New York; 14—Raymond R. Frazier, Seattle, Wash.; 15—F. H. Sisson, New York; 16—I. H. omas B. Paton, New York.

by the Supreme Court will be presented directly to Congress.

Dr. John H. Williams of Harvard University, recently appointed economist of the Association, was introduced by Chairman M. E. Traylor of the Economic Policy Commission, which is now entering upon the work of developing the Association policies on taxation, tariff and kindred subjects.

Reports were presented by chairmen of Commissions and by presidents of Divisions and Sections.

The Administrative Committee unanimously accepted an invitation of the New York Clearing House to hold the 1922 annual convention in New York City next Fall.

It was determined also that the Spring meeting of the Executive Council of the American Bankers Association will be held at White Sulphur Springs in West Virginia on May 7.

The opinion was expressed quite generally that the result of the meeting had been not only the establishment of a closer relationship between the American Bankers Association and the United States government, but a welding together of those forces within the Association which heretofore have operated more or less independently.

Underwood & Underwood

FRED N. SHEPHERD

Fred N. Shepherd

Mr. Shepherd, the new manager, is well known throughout the United States among bankers, business men and agriculturists. He has been a frequent speaker before bodies representative of those interests. Mr. Shepherd was born in Ottumwa, Iowa, received his degree at Park College, Missouri, and was successively engaged in the insurance, real estate and the publishing business in Spokane, Washington. From 1912 to 1917, he was cashier of the Empire National Bank at Lewiston, Idaho, and is now a director of the same institution. Since July 1, 1917, Mr. Shepherd has been field manager of the Chamber of Commerce of the United States. He has long been in touch with the work of the American Bankers Association and since 1916 he has been a member of the Agricultural Commission of this Association.

Mr. Bowerman's Letter

The reasons which impelled Mr. Bowerman to relinquish the duties of Executive Manager are set forth in the following letter to a friend early in December:

"For some time I have been very anxious to turn this position and Association work over to someone else and again give my undivided attention to personal affairs; so after I returned from the Los Angeles Convention I tendered my resignation to President McAdams. It will be acted upon at the Washington meeting of the Administrative Committee in the near future and shortly thereafter I will leave for the West, first going to Idaho to look after my own business and later to California, where we expect to make our future home.

"There are a number of reasons which have contributed in making this decision on my part both necessary and desirable: Necessary, because I find that, no matter how well organized, or in how competent hands your business is, it makes for a considerable sacrifice—especially in times like the present—to be separated from it by as great a distance as is Idaho from New York. So to continue here longer would require more of me than I think I am justified in giving. Desirable, because it appears to me that in the final analysis about all

that we really get out of life is being with those who are near and dear to us and having some part in their daily life, especially our children.

"My mother, my sister, my son and daughter are all living in California, and we hope that ere long my brother will join us there, so I feel that we should not continue indefinitely to deny ourselves the one thing in our lives which contributes most to our comfort and happiness.

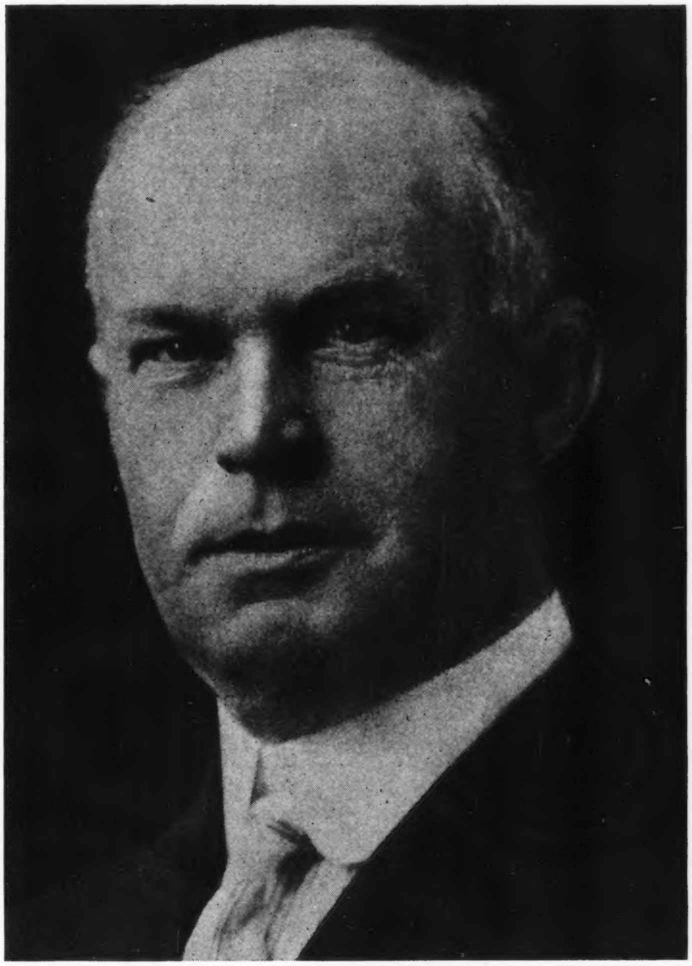
"Then, too, I feel that I have done my duty to the Association, and performed the task which was assigned to me, and that my work here is finished, because, so far as administration is concerned, the things which we planned two years ago to do have been accomplished and the Association is running as smoothly as a well-lubricated machine, and all that is necessary now is an occasional drop of oil here and there to keep it from squeaking. So I am well satisfied to leave it to someone else.

"The two years which I have spent here have been unusually pleasant and enjoyable ones, especially so as regards the acquaintances and friendships formed during that time, and while it is with mixed feelings of joy and regret that I give up the work, I must confess that joy predominates.

"The officers, the Administrative Committee, the Executive Council and many others have been most loyal in their support the past two years, and I leave with the conviction that the Association will pass to greater accomplishments in the future, and I leave also with willingness on my part to be of whatever service I may in helping the good work along.

"There certainly are great things for the American Bankers Association to do. It has a place in the scheme of things, and the future is rich in possibilities if the present spirit of cooperation and mutual helpfulness continues to prevail, as I hope and believe it will.

"I am sure that if those of you who have faith in the future of the Association and recognize it as a vehicle for great public service will give to my successor the same loyal support which I have enjoyed in the last two years, it will not only smooth his pathway and stimulate his efforts, but result in inestimable good to the Association."



GUY E. BOWERMAN

In announcing the appointment of his successor Mr. Bowerman wrote as follows:

"Mr. Shepherd was formerly engaged in the banking business in Idaho, but for the past four years has been prominently identified with the Chamber of Commerce of the United States as field manager.

"It is especially gratifying to me that another western man has been selected to carry on the work of the American Bankers Association, and the Association is to be congratulated, because Mr. Shepherd is fully equipped to fill the important position by reason of his practical knowledge of banking, his familiarity with Association affairs, his wide acquaintance and his experience in the work of similar organizations.

"I earnestly ask for him the active and loyal support of the members of this great body."

The retiring executive manager returns to the West he loves so well with the sincere regard of those who have worked with him in the headquarters of the American Bankers Association during the last two years.

Mr. Shepherd, his successor, is expected to take up the duties of the office about January 15.

Drafts and Letters of Credit

Suggestions for Speakers by the Committee on Public Education

A "DRAFT" or "bill" of exchange" is a written order drawn by one party, called the "drawer," on another party, called the "drawee," for the payment of money to a third party, called the "payee," the amount to be charged to the drawer. A draft may be drawn payable "at sight" or at some specified time subsequent to sight or demand. "Sight" drafts are payable upon presentation. Unless the drawee wishes to pay a time draft when presented, he writes across the face of the paper the word "Accepted" with his signature and the date. This means that the drawee assents to the terms of the draft and binds himself to honor it at maturity. The draft then becomes known as an "acceptance." Drafts are classified as "personal drafts" and "bank drafts." Personal drafts are orders drawn on one person by another to pay a third person. Bank drafts are drawn by one bank on another, directing the latter to pay a certain sum of money to a third party. Practically all banks keep funds on deposit in banks in other cities, especially in the larger financial centers. In this way they are able to meet the demands of depositors, who often wish a form of payment that will be accepted without question. Bank drafts pass practically as cash almost everywhere in the country. Drafts on New York are known as "New York Exchange." Suppose that Black & Co. of Detroit wish to send $1,000 to a firm in Buffalo for goods to be shipped immediately. They send to their bank in Detroit a check for the amount, only in place of the payee's name they write the words "New York Draft." Their bank then proceeds to make out a draft on its New York correspondent, payable to Black & Co., for $1,000. Black & Co. indorse the draft, making it payable to the Buffalo firm, and mail it to the latter. By having the draft drawn to themselves, instead of to the Buffalo people, Black & Co. have an instrument which serves as direct evidence of the transaction, and, when indorsed and transferred, acts as a voucher. Or Black & Co., instead of having themselves made the payee, might have had the Buffalo firm made the payee. Bank drafts are much used to send remittances of money from one part of the country to another, and are probably used more for that purpose than any other method of payment.

Traveler's Letters of Credit

A traveler's letter of credit is issued by a bank for the convenience of a customer who wishes to travel, usually in a foreign country. It is a letter introducing the bearer to the bank's correspondent in a foreign country and instructing the correspondent bank to pay to that person a specified amount, usually in the currency of that country. For example, if a person wishes to travel in Europe he may obtain from his bank a letter of credit to a bank in Paris, the correspondent of the issuing bank. When he wishes money he goes to that bank and makes out a draft for the amount he needs. If the signature on the draft corresponds with the signature on the letter of credit it is considered that sufficient evidence of identity has been provided and the money will be paid. The paying official writes on the letter of credit the amount withdrawn, plus the commission, and the letter of credit, therefore, shows at all times how much of the credit remains unused. The correspondent charges against the account of the issuing bank the amount it has paid to the traveler in the currency called for by the letter of credit, and notifies the issuing bank. If this currency is that of the foreign country, the issuing bank then computes, at the current rate of exchange, the amount of dollars advanced, and charges the amount against the customer to whom the letter of credit was issued. It is possible for the customer to pay for his letter of credit when he receives it, settling this account at the rate of exchange at that time, in which case the issuing bank assumes the risk of profit or loss arising from any drastic change in the rate of exchange before it is called upon to settle with the correspondent bank. Careful watch is kept on the exchange situation, however, and banks are usually able to settle with their correspondents without loss before their items are presented for payment. Letters of credit are usually used to provide for the payment of large sums of money.

Commercial Letters of Credit

A commercial letter of credit is a contract including seller, buyer and banker, and the latter acts as intermediary. To illustrate, an American merchant desires to buy tea in China. The Chinese merchant from whom he proposes to buy is quite willing to sell the tea and they have gone so far, between themselves, as to agree upon a price. The Chinese merchant says to the buyer: "I don't know you; I cannot ship my tea until I know I am going to get my money." The American merchant says to the seller: "I don't know you; I cannot pay my money until I know I am going to get my tea." The banker says to the Chinese merchant: "If you ship your tea, I will see that you get your money," and to the American merchant, "You pay your money and I will see that you get the shipping document for your tea." Being known by reputation to both parties, his contract is acceptable. In order to carry out this agreement, the banker requires that the tea shall be shipped and the bills of lading therefor delivered to him. He then makes payment in cash or by giving his acceptance. The shipping documents are sent to America and handed to the American merchant in exchange for payment or in accordance with what-

ever arrangements have been made. If the American merchant's reputation had been broad enough to reach to China, he could have gotten his tea without the intervention of the banker, but as he was not known—in other words, had no reputation in the place where he desired to buy—he was obliged to use the banker's credit and pay him for the use of it. The delivery of shipping documents to the American merchant may be in trust instead of against cash payment, but whatever this arrangement may be, it in no wise affects the obligation of the banker to the foreign shipper. The banker stands to him in lieu of the American merchant so far as payment goes. If the documents are delivered in trust to the American merchant, a special form of obligation is taken by which the banker retains a lien upon the merchandise until he is paid therefor.

Traveler's Checks

Traveler's checks are a modified form of the traveler's letter of credit. They are paid for when obtained at the bank, and are issued in denominations of $10, $20, $50, and $100, usually payable in foreign currencies at fixed rates of exchange, but some are payable in dollars. At the time the traveler buys these checks he must sign them in the space provided, and must then sign them again in the presence of the person cashing them, a comparison of the two signatures being considered sufficient identification for the payment of the money. All hotels, banks, transportation companies and others called upon to accept such checks must rely on this means of identification, so the traveler is cautioned not to sign them the second time until he is cashing them. Traveler's checks are accepted throughout America and Europe (under normal conditions) by hotels, railroads, steamship lines, sleeping car companies, and the principal stores and shops. They may be cashed at practically all banks.

Transferring Money to Foreign Countries

Letters of credit and traveler's checks provide for payment in a foreign country to the payee, who presents them in person. There are also facilities for a person at home to send money to a foreign country. Most banks doing a foreign exchange business have accounts with correspondents in foreign countries, and can therefore sell drafts on these correspondents, payable in the foreign country. If your local bank has no foreign correspondent it will apply to one of these banks that has an international business and obtain a draft for you. Transactions in which haste is necessary can be conducted through your bank by cable, and a great deal of business is done in this way. The cable transfer enables the purchaser to get immediate credit, whereas exchange sent by mail would not be credited until after the arrival of the conveying steamer at its port of destination.

Rules of the A. B. A. Protective Committee

1. Upon receipt of notification to the American Bankers Association, Five Nassau Street, New York City, or the nearest office or correspondent of the William J. Burns International Detective Agency, Inc., of an attempted or successful perpetration of a hold-up or burglary or the successful perpetration of a fraud or crime upon a member of this Association in its banking rooms, or in the rooms of such branches as are members, either by forgery, check raising, worthless checks, bogus checks, swindle or sneak theft, the committee will at once use its best efforts to apprehend the criminals regardless of the amount involved or whether the perpetrator of the crime is a professional or an amateur. No action, however, will be taken unless notice is given within five days after the crime has been discovered, and a case once committed to the Association cannot be taken out of its hands nor the offense condoned or compromised.

Rule No. 1 does not apply:

(a) Where the member is protected by an indorser regardless of whether or not the indorser is financially able to reimburse the bank.

(b) Where the member does not itself sustain a loss.

(c) Where there is mysterious disappearance (1) of money or securities, etc., from the bank not presumptively attributable to sneak theft or (2) of the contents of safe deposit boxes.

(d) Where a member has been defrauded by permitting withdrawals against items before returns from same have been received.

(e) Where the fraud or crime has been committed by an officer or employee of the member either alone or in collusion with others inside or outside.

(f) Where it is evident that the bank is guilty of contributory negligence.

2. In reporting cases the member agrees to swear out a warrant for the criminal concerned when his identity has been determined; or a John Doe warrant at once in states where permitted.

3. The committee insists that the member take up with the state, county or local authorities and arrange for the extradition and the payment of expenses incident to the return of a prisoner. The committee will not pay extradition expenses or witness fees, and will not be responsible for any expense incurred for protective work or attorney's fees which has not been previously authorized.

4. If for any reason whatsoever no prosecution takes place when the member is in a legal position to aid in the prosecution, and fails to do so, or in case it is found that any of the exceptions, (a) to (f) inclusive, apply, such a member shall reimburse the Association for all expenses incurred in connection with the case reported.

Auto Exhibit in a Bank

The officers of the Old National Bank of Battle Creek, Mich., believe that a bank is a community institution and that its executives must rise above the idea that a bank is a mere custodian of funds. As a step toward community service the bank on December 1 began issuing Michigan state automobile licenses, and as an adjunct of this innovation there was arranged in the lobby an automobile exhibit consisting of accessories, new inventions and relics—things to attract and interest the motorist when he went to get his 1922 license.

All the automobile dealers in the city were invited to participate in the display, the event was advertised in the newspapers and it was announced that to each of the first 2,000 persons taking out a 1922 license there would be given an automobile road map of Michigan. The innovation created much interest and comment. During the first three days of the exhibit 5,000 persons inspected it. The officers of the bank are pleased with the success of the enterprise and some automobile dealers reported increased sales as a result of the display. "We believe," said E. R. Obern, assistant cashier, "that a bank is a community institution and it is our plan in the future to have more exhibits of this character."

Washington Views of Big Events

By MORRIS H. GLAZER

Plans for Aiding Trade Include Trade Commissioners for Russia—The World Economic Conference—The Effort to Make the Government the Greatest Business Corporation in the World—Funding the War Debt

EXTENSIVE plans for aiding both domestic and foreign trade, the like of which have never been undertaken by any government, have been submitted to Congress by President Harding upon the suggestion of Herbert Hoover, Secretary of Commerce. The details of this far-reaching scheme of extending practical assistance to American manufacturers and exporters are revealed in the estimates submitted by the Department of Commerce for the coming fiscal year. Expenditure of more than $500,000 is requested for the fiscal year beginning July 1, 1922, to carry on industrial divisional work and investigation in this country. Closer contact with industry, with a view to lending the facilities of governmental agencies and departments in assisting private business, is the essence of the plan developed by Mr. Hoover. Already fourteen industry divisions have been established in the Department of Commerce, and the new plans call for the addition of seventeen more divisions.

Domestic Industry Service

This service to domestic industry contemplates the most thorough and complete exchange, through the department, of statistical and other information among firms engaged in an industry, and for the dissemination, by the quickest and most thorough method available, of reports and advices received by the department from its foreign agents. Each division is headed by a practical business man and has a staff of statistical and research clerks and translators. They have already enlisted the enthusiastic support of the trade and are functioning smoothly. These divisions are clearing a large volume of trade information which the respective industries cannot themselves clear, because of legal restrictions or trade jealousies. The basic industries already have divisions in the department, and among the new divisions to be established is one on foreign investments.

Of deep significance also to American industry and finance is Mr. Hoover's inclusion in his plan that this country establish trade commissioners in Russia. The plan with respect to that country has not been revealed in detail, but the estimates call for authorization of two trade commissioners there.

Commercial Attaches

The proposals, in addition, include an increase in the present force of commercial attaches, establishment of trade commissioners in Greece and Canada, neither of which is now represented in the department's list of trade commissioners; doubling the force of foreign trade commissioners in Central and South America; an increase of one-third in the bureau's representation in the Far East, and appointment of additional district commercial agents in the chief cities of the United States and at Manila to aid in extending American commerce.

World economic problems will be discussed by the Supreme Council, which will meet at Cannes this month, and it is understood the United States is to be invited. There is strong opposition in official circles here to participation by this country in such a conference because the European allies are anxious to obtain cancellation of the loans made by the United States. It is argued, on the one hand, that cancellation of these loans would give the peoples of Europe a breathing spell and give an impetus to industry in Europe which would result in a restoration of normal exports from the United States, equivalent in value in five years to the payment of the entire debt. On the other hand, it is pointed out that the money for these loans was taken from the people of this country, and they should be compensated as soon as possible. Cancellation of war loans, while benefitting industry here, would mean a prolongation of the tax burden on our own people.

The Administration has announced a permanent policy of a businesslike government, making for efficiency in departmental operations and economy in expenditures. The budget bureau, started by President Harding with Gen. Charles G. Dawes as its first chief, is to be continued. While General Dawes has resigned, effective July 1, Gen. Herbert M. Lord, chief of finance of the War Department, has been selected as his successor. The President proposes to call meetings of the administrative heads every six months to discuss possible economies in the government and more efficient operation. The first meeting will be held this month. It is planned to make the government the greatest business corporation in the world.

Making Appropriations

In this connection General Dawes early last month submitted to Congress the first Federal budget, showing estimated expenditures for the fiscal year 1923 of $3,505,754,727, which represents a decrease of almost a half billion dollars as compared to the estimated outgo for the fiscal year 1922. Congress is now engaged in the task of making appropriations, and attempts are being made to cut the estimates submitted by the budget bureau, but thus far it has met with little success along this line. Leaders in Congress are working with the view in end of taking up two budget measures a week to clear the way for the consideration of the tariff and the foreign debt funding bills.

Comparing the Federal government with a business corporation, General Dawes pointed out some of the "faults" which he said had existed. "The president of the corporation (the President of the

United States) gave practically no attention to the ordinary routine business; the administrative vice-presidents (members of the cabinet) were allowed to run their several departments as if each separate department was an independent authority in all matters of routine business; because of a lack of any outlined business plan, no system existed for making purchases or in selling material along business lines under a unified policy; no balance sheet of the corporation as a whole was ever prepared; the treasurer kept no accurate account of the contingent obligations of the various departments, thus resulting in money being drawn from him continuously in excess of the estimated annual running expenses; the corporation, in effect, seldom reconsidered an unwise project entered into by any department; the administrative heads of the departments were selected as a rule with little reference to their business qualifications and were compelled to rely largely upon the advice of subordinates."

Tax-Exempt Bonds

In his message to Congress at the opening of the present session President Harding urged an amendment to the Constitution which would end the issue of non-taxable bonds. The tendency of wealth to seek non-taxable investment and the menacing increase of the public debt, he said, justify such a change.

"No action can change the status of the many billions outstanding," said the President, "but we can guard against future encouragement of capital's paralysis, while a halt in the growth of public indebtedness would be beneficial throughout our whole land. The drift of wealth into non-taxable securities is hindering the flow of capital to our industries, manufacturing, agricultural and carrying, until we are discouraging the very activities that make our wealth."

Commenting on the passage of the revenue bill, he said: "Later on, when other problems are solved, I shall make some recommendations about renewed consideration of our tax problem, but for the immediate time before us we must be content with the billion dollar reduction in the tax draft upon the people, and diminished irritations, banished uncertainty and improved methods of collection. I believe further reductions may be enacted and hindering burdens abolished."

Transportation

The announcement that the railroads and the big shippers of the country have come together in a plan for cooperation toward the common objective of getting the transportation system upon a better and more stable basis has pleased government officials. The railroads and the shippers, after fighting each other for many years, at last have agreed to reach an understanding. The meeting was held recently in Washington when representatives of farm organizations, manufacturers, lumber and coal producers were present. The problem of just freight rates has been before the Interstate Commerce Commission since the war caused an increase in traffic tariffs, and now the railroads and the shippers have agreed to adjust their own differences. A committee of shippers was appointed. James A. Emery, counsel for the National Association of Manufacturers, is counsel for the committee.

Commenting on the conference, Mr. Emery said: "The railroad representatives evidenced their intention to give the benefit of further reduction in operating expenses to shippers as rapidly as operating costs, especially those principally represented in labor and material, are adjusted to the economic level of wages and costs prevailing generally in industry. The committee has formed a conference forum in which difference of opinion may be freely aired and, it is hoped, successfully accommodated in the light of the great public interest involved."

The following figures show the tremendous increase in the cost of operating the railroads since 1914. In that year railroad wages amounted to $1,337,344,135 and in 1920 they were $3,698,216,351. Locomotive fuel cost the railroads $235,231,481 in 1914 and in 1920 it cost $672,891,964. The bill for material and supplies in 1914 amounted to $458,111,430 and 1920 it cost $1,063,769,900.

American-made goods and raw materials worth nearly $5,000,000,000 have been sold in foreign markets this past year, according to official reports of the Department of Commerce. Despite the world-wide economic depression, a stream of foreign orders are pouring into the offices of American manufacturers, exporters, mine operators and farmers, it is reported. The American export trade for 1921 represents the biggest sales sheet of any of the world's great exporting nations.

The large volume of American export trade this past year reduced unemployment, officials say, and kept working many mills and factories that otherwise would have been idle. It is estimated American exports have furnished employment to 5,000,000 workers.

Conference Influence

The 1921 figure, however, is less by several millions than the export sales for 1920. This does not mean that the American export trade has fallen off. The decrease in value of shipping is due primarily to falling values of commodities. The tonnage of goods shipped was increased in many cases, except in goods shipped to Europe. On the basis of weight and volume of orders, American manufacturers and exporters in 1921 sold goods at a faster rate than in 1920. This, officials say, makes very bright the prospects for 1922.

Nearly $1,000,000,000, now practically idle in the United States, is expected to seek investment abroad if amicable relations continue to obtain in the conference on the limitation of armament. Government officials, watching the international exchange market, explain that the work of the conference thus far has had the effect of appreciating to a slight extent the values of most foreign currencies depreciated since the opening of the World War.

Final agreement by the conference for a ten-year naval holiday would undoubtedly send up all foreign exchange rates, officials here believe. The upward trend might only continue for a short period, but the reaction would not reduce the rates to the point from which they started to climb, it is explained.

President Harding has signed the Russian relief bill, which carries appropriations of $20,000,000 to be expended under the supervision of the

American Relief Administration. American grain is expected to be moving to Russia early this month, Secretary Hoover said, for the relief of the famine stricken in that country. Arrangements are in progress between the American Relief Administration and the Soviet government whereby the Soviet authorities would use the remainder of the unpledged gold taken from the old Russian imperial treasury in importing foodstuffs for relief in the Volga basin. Funds held by the Soviet which would be available for this purpose are believed to approximate $10,000,000.

Funding of the $11,000,000,000 debt owed the United States by foreign governments into obligations maturing not later than June 15, 1947, and bearing interest at a rate of not less than 5 per cent., would be authorized under the funding bill as finally approved by the Senate Finance Committee. Chairman Penrose announced that these and other provisions written into the House bill had been agreed to by Secretary Mellon. Interest on the new obligations would be paid semi-annually. The total owed to the United States, principal and interest, by the foreign nations is $11,329,281,228, including $394,245,351 in principal and interest from Russia.

Miss Adele H. Kirby

Back in 1913 when the placing of women in official banking positions was not as popular as now, the Board of Directors of the Plainfield (N. J.) Trust Company had the courage of its convictions on this subject and appointed Miss Adele H. Kirby as assistant secretary and assistant treasurer of that successful institution.

Miss Kirby's connection with the Plainfield Trust Company is not simply a woman's position; it is in every sense a "man's job," in the handling of which she is popular with the male customers of the institution, as well as those of her own sex. Her duties have to do largely with the Trust Department.

In addition to her trust duties, Miss Kirby has entire charge of the company's advertising—much of which has been along educational lines—the object being to popularize thrift and create a demand for the company's trust facilities.

Edna R. Herron

Edna R. Herron, assistant cashier of Crawfordsville, Ind., State Bank, has been connected with the bank since it began business in 1903, entering as a stenographer. She has won her position by personal merit, force of character and consecration to her work. At present she is doing some unique advertising, which is attracting considerable attention.

Agricultural Commission

Rome C. Stephenson, president of the St. Joseph Loan & Trust Co. of South Bend, Ind., has accepted an appointment as a member of the Agricultural Commission, succeeding Fred. N. Shepherd, resigned.

Represents Nevada

Fred Stadtmuller, assistant cashier of the Washoe County Bank, Reno, Nev., has been appointed to fill a vacancy on the A. B. A. Executive Council.

Miss Olivia E. Brueggeman

Miss Olivia E. Brueggeman of the Republic National Bank of St. Louis, Missouri, is a young woman who found herself interested in banking during the Liberty Loan drives, when she served as Director of the Foreign Language Division of the Eighth Federal Reserve. Upon the organization of The Republic National Bank, Miss Brueggeman became manager of Women's Department, where she continues her work among the industrials.

Speaking of Exhibits

Five hundred millions a year annually lost in "wildcat" investments! In these days of bank exhibits the community loss in "wildcats" might well be taken under consideration as the basis of an exhibit which would help folks to visualize what they can do for themselves and their home towns by taking counsel before parting with their savings.

OPINIONS OF THE GENERAL COUNSEL

THOMAS B. PATON
General Counsel

Effectiveness of Blanket Stop Payment

A depositor has a right to revoke payment of his check and where the bank pays the check after receipt of a stop order accurately describing such check, it is liable to him for the amount. In a case where a depositor, instead of notifying the bank to stop payment of a particular described check notifies the bank to refuse payment of all checks theretofore issued under a form of signature previously used which has been abandoned and honor only those given on a new check form, such notice is sufficiently explicit to revoke all checks issued on the old form, and where the bank subsequently pays a check on such form it is liable to the depositor.

From Indiana—We had a depositor who was carrying his account with us in the nature of a company, all checks being signed by one man, using a rubber stamp to indorse all of the signature, excepting his name. This account was conducted in this manner for possibly one year. Then we received a letter which read: "Upon receipt of this notice kindly stop payment on all checks issued on form heretofore used and honor only those which we have given on new check form." It happened that we did not make a record of this stop payment in our books, as he did not really give any reason for stopping payment on any particular check, and in the course of three or four months our bookkeepers paid a check which he had given on the form that he had formerly used. His contention is that we were ordered to stop payment on this check and that we are liable for this amount.

I would like an opinion whether or not we are liable for payment on this check.

The general principles and rules which have been developed underlying the right of a depositor to stop payment of his checks may be thus briefly stated:

A check is simply a written order of a depositor upon his bank to pay a certain amount. Under the Negotiable Instruments Act "a check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank and the bank is not liable to the holder unless and until it accepts or certifies the check."

Being a mere written order on the bank to pay, the depositor has the right to revoke the order at any time before it is paid or accepted, and if the bank disregards the revocation and pays without authority it is liable for the amount. But it is necessary, if a notice to stop payment is to be effective with respect to any particular check, that the check be accurately described; otherwise the bank will not be liable if it pays the check. Thus in Mitchell *v.* Security Bank, 147 N. Y. Supp. 470, the court said: "Where the drawer notifies the bank to stop payment on a check, his notification must be explicit and describe the check with reasonable accuracy"; and it was held that a notice to stop payment of a check for $196.76, "dated Dec. 21st 10," payable to a certain firm did not describe a check for $196.75 dated December 23, 1910, and payable to "bearer" with sufficient accuracy to render the bank liable to the drawer for paying it.

In the case stated by you, the notice to stop payment was not given with reference to any particular check, but the notice read:

> "Upon receipt of this notice kindly stop payment on all checks issued on form heretofore used and honor only those which we have given on new check form."

This was a blanket notice revoking all checks issued on the old rubber stamp form of signature theretofore used. While the precise question of the efficacy of such a blanket form of notice covering all outstanding checks has never, so far as we know, come before a court for decision, still, upon general principles the depositor had an undoubted right to revoke the authority of the bank to pay all these checks and as the notice did not refer to any particular check, but to all checks issued on the old form, it would seem that it was sufficiently explicit in its description of all such checks and that the check on the old form, which the bank paid, was paid without authority and the bank would be liable to the depositor for its amount.

Liability of Pledgee of Collateral

Where a negotiable note, secured by collateral, is executed to a bank as security for a loan and the bank sells and assigns the note to a purchaser who is unable to return the collateral upon payment of the note, because of peculation, the pledgee bank first holding the note is not liable to the maker for the difference between the amount of his note and the value of his collateral.

From Virginia—In your opinion, can a bank be held liable in the following transaction:

The bank sells in good faith a negotiable note owned by it before maturity and secured by marketable collateral. The purchaser of the note receives the same with the collateral and afterwards is unable by peculations to return the collateral upon the payment of the note. Can the borrower recover from the bank holding this note in the first place the difference between the amount of his note and the value of his collateral? We have been informed that the bank would be liable, but cannot believe that this opinion is correct, since it would entail a liability on each note which might be sold in the ordinary course of business and for which no liability is set up by the bank.

The authorities support the conclusion that there is no liability of the bank in the case stated.

While the rule is well recognized that the wrongful or unauthorized disposition of the pledged property by the pledgee so as to put it out of his power to redeliver it on payment of the debt it secures constitutes a conversion (Stevens *v.* Hurlbut Bank, 31 Conn. 146; Parkyn *v.* Turley, 206 Ill. App. 78; Radigan *v.* Johnson, 174 Mass. 68; Powder Co. *v.* Pederson [Wash.] 176 Pac. 542), yet a conversion is not effected by the assignment by the pledgee of the collateral to-

gether with the principal obligation (Waddle *v.* Owen [Neb. 1895] 61 N. W. 731 [holding that the payee of a negotiable instrument, to secure the payment of which the negotiable notes of a third person have been pledged, may, in the regular course of business, negotiate said instrument and transfer with it the securities, and such action will not amount to a conversion of the securities; and that such pledgee, who effects such transfer before payment or tender of the amount due thereon, is not liable in trover for the securities, even though the assignee (indorsee) convert them. In the course of the opinion the court said: "The bill being negotiable, Waddle had a right to transfer it by indorsement to Hainer, and to transfer with it the accompanying securities. There is a vast difference between the position of a pledgee who retains the principal debt and wrongfully parts with the securities pledged thereto, and that of one who, in the regular course of business, transfers the debt, and with it the securities, without diverting the latter from the purpose for which they were pledged. The first act constitutes a conversion, the latter does not."]; Goss *v.* Emerson, 23 N. H. 38 [holding that if the indorsee, to whom such securities have been transferred, wrongfully convert them to his own use, the original payee and pawnee is not liable in trover for such conversion by his assignee]; Chapman *v.* Brooks, 31 N. Y. 75), and this is true, even though his assignee may have converted the pledge to his own use. (See cases set forth and Bailey *v.* Colby, 34 N. H. 29; Steiger *v.* Third Nat. Bank, 6 Fed. 569.)

Check on Blank Form of Another Bank

A check drawn on the blank form of another bank with the name of the drawee changed is legal, but there is danger in the practice of paying or certifying such checks where the alteration is not in the handwriting of the drawer until satisfied that the change is authorized, for the reason that a customer may have an account in two banks and the presented check may have been altered by the payee by changing the drawee's name after having been stopped at the bank upon which drawn It would be a good policy for banks to adopt a pass book rule, reserving the right to refuse payment of checks drawn on blank forms of another bank until satisfied the alteration was by or under authority of the drawer.

From Michigan—A check in amount $500 was presented for certification at this branch office drawn against the personal account of one of our commercial customers. The signature was correct, but the check was originally one of the M National Bank checks of this city. A line was drawn through M National and D Savings Bank inserted in a handwriting that we were not positive was that of the maker. Had we a right to refuse certifying this item because of the alteration? The point in my mind was this: In the event that our depositor carried an account at the M National Bank as well as at our office, which, of course, might be possible, and the payee had presented the check at the M Bank where certification had been refused for reason perhaps of insufficient funds, the fact occurred to me that the payee, aware of the fact that maker also was a depositor of ours, had himself marked over the check as against our bank.

It has been held not negligent for a bank to pay a check wherein the name of the drawee has been changed in a handwriting other than the drawer's. First St. Bank *v.* Vogeli, 96 Pac. (Kan.) 490. But where the payee wrongfully makes the alteration by striking out the printed name of the bank on which the check is drawn and inserting another bank and the latter bank pays the check, it is liable to the drawer. Morris *v.* Beaumont National Bank, 83 S. W. (Tex.) 36.

It not infrequently happens that a customer has accounts in two banks and if he stops payment of his check on one bank, it is quite possible that if the payee is dishonest and knows of the account in the other bank, he may alter the name of the drawee and present the check to the other bank. This was what actually happened in the Texas case cited. Consequently, it is not altogether safe for a bank to pay a check drawn on the blank form of another bank where the alteration is not in the handwriting of the drawer, until the bank receives satisfactory evidence that the alteration has been authorized.

In the case submitted by you, the bank was within its rights in refusing to certify the check. A bank is under no legal obligation to certify a check for the holder in any event; its only obligation, which runs to the drawer and not to the holder is to pay the check when duly presented. Had the check been presented for payment rather than for certification, I think the bank would have been justified in delaying payment until satisfied that the alteration was authorized. But as a check so drawn is a legal and valid order, where there is no fraudulent alteration, it would perhaps be a good policy for the bank to protect itself by a clause in its passbook rules reserving the right to refuse payment of checks thus drawn until satisfied that the alteration of the name of the drawee was made by or under authority of the drawer.

Eligibility of Bank as Public Depositary

Under the statute in Texas, a bank is not ineligible as depositary of the funds of a city because one of its officers who is cashier, stockholder and director is a member of the city council which is charged with the duty of selecting the depositary in the manner provided by law.

From Texas—We have three banks in town.

(1) The mayor of the city is a stockholder, cashier and director of one bank.

(2) The vice-president and stockholder of the second bank is one of the city aldermen.

(3) The third bank is not represented on the city council.

We would like your opinion as to whether or not the two banks which have representatives in the city management, one as mayor and the other as alderman, are eligible as depositaries for the city funds.

We would like your opinion to cover the point, even though one of the city managers be a stockholder and not an officer. Our opinion is that neither are eligible in that they were in a way making a contract with themselves, which is prohibited by statute.

The eligibility of a depositary of public moneys is generally regulated by statute, and a close inspection of the statute under which a depositary is designated is necessary in each particular case in order to determine whether its provisions have been complied with. (See Burgher *v.* Baldwin, 137 Mich. 263,

100 N. W. 468, and People *v.* Reoux, 112 N. Y. Suppl. 1025.)

In some of the cases it has been held that a bank may be rendered ineligible for designation as a depositary of public moneys (Johnson State Bank *v.* Raney, 99 Kan. 80, 160 Pac. 980; State *v.* Briede, 117 La. 183, 41 So. 487 (where a bank selected by a board, a majority of whose members were stockholders and officers, was held ineligible); Marquette, &c., Commr. *v.* Wilkinson, 119 Mich. 655, 78 N. W. 893; Nat. Surety Co. *v.* Liflore County, 262 Fed. 325 (holding, *inter alia,* that the designation of a bank as depositary by a bare quorum of the board of supervisors, one member of which was interested in the bank and voted in the selection, was unlawful), regardless of whether or not any actual influence results from the interest of the appointing power in the depositary; (State *v.* Briede, 117 La. 183, 41 So. 487) but authority is not wanting to support the position that such connection does not necessarily render such bank ineligible. (State *v.* Owen, 41 Nebr. 651, 59 N. W. 886 (holding that a majority of a board may select as a depositary a bank of which one of their number is a director and stockholder)).

The Texas statute provides that the city council of every city in the state (the term "city council" to be construed to include the board of aldermen of towns and villages) is authorized to receive sealed proposals for the custody of the city funds, from any banking corporation, association or individual banker doing business within the city, that may desire to be selected as the depositary of the city funds, at its regular meeting in July of each year. The statute provides for due public notice that such bids will be received, and due submission of sealed bids by the banks at the time and place designated in the notice. The statute further provides that upon the opening of the sealed bids, the city council shall select as the depositary the bank offering to pay to the city the largest amount for such privileges; provided, however, that the council shall have the right to reject any and all bids, and readvertise for new proposals. Upon the selection of a depositary, and the giving and approval of the statutory bond, an order shall be made by the council designating such bank as the depositary of the funds of the city until the time fixed by the statute for another selection. (Vernon's Sayles' Tex. Civ. Stat., 1914, Chap. 3, Tit. 44, Arts. 2454, 2455, 2456, 2460.) It will thus be seen that the Texas statute contains no provision disqualifying any bank or banking association by reason of interest in it of any member of the city council (or board of aldermen), and I very much doubt if any such disqualification or restriction can be legitimately read into the Act by implication, interpretation or statutory construction. In view of the many safeguards thrown around the deposit of public funds in banking institutions, such as advertisements for bids, sealed bids, award to highest bidder, the indemnity bond required, etc., coupled with the further fact that the designations of depositaries are not made by one elective or appointive public officer, but by a majority of the city council (or board of aldermen), an elective body, it is fair to presume that the legislature did not intend to render a bank ineligible to receive public funds as a depositary because, forsooth, one of its officers or stockholders is a member of such city council or board of aldermen; and if it had so intended, it would have incorporated such prohibition in the statute, couched in appropriate phrase, and not have left it to mere intendment or construction. I can find no Texas cases in point, however.

Unsigned Land Bank Bonds

Unsigned national bank notes lost or stolen, and circulated, are nevertheless redeemable because of the Act of July 28, 1892, but there is no similar statute applying to unsigned bearer bonds of a joint stock land bank and if such bonds are lost or stolen, and circulated they are not redeemable; hence insurance of 10 per cent. of their value when shipped by express is ample protection.

From Iowa—The question has arisen as to the liability of an insurance company for loss resulting from the theft of unsigned bank notes, and also for the theft of unsigned bearer bonds, such as Joint Stock Land Bank Bonds, or unsigned interim certificates to be used in lieu of bonds.

In Mr. Paton's *Digest of Legal Opinions,* Section 828, a Pennsylvania case is noted as follows:

"Where national bank notes are lost or stolen and put into circulation without the signature or upon forged signatures, the public is protected, and the bank and not the holder stands the loss."

The logic of the above holding would be that if a bank was liable to lose the entire amount represented by the unsigned bank notes through the same getting into circulation on forged signatures, then the insurance company should be liable up to the full amount of the loss or damage that the bank will suffer.

We believe that a case has arisen between an express company and a bank on this very point, and that the question has been decided that such instruments, if stolen and put into circulation with forged signatures, must be redeemed by the bank purporting to issue same.

We had noted an order by the Federal Farm Loan Board that unexecuted bonds or interim certificates may be shipped by express and insured for 10 per cent. of their value. This would seem to indicate that such bonds, if stolen and completed by forged signatures and seals, would not represent a loss to the bank whose bonds they purport to be.

We will be very glad to have an expression of opinion as to the safety of such a practice. It would save considerable insurance if it is possible to insure a 10 per cent. par value until the bonds are in completed form.

The reason why a bank is liable to the innocent purchaser of unsigned national bank notes which have been lost or stolen and put into circulation is because of the Act of July 28, 1892, which requires the redemption of national bank currency "notwithstanding such notes may have been lost by or stolen from the bank and put in circulation without the signature or upon the forged signature of the president or vice-president and cashier."

Without this statute there would be no such liability. There is no similar statute under which a joint stock land bank would be liable upon unsigned bonds or interim certificates which had been lost or stolen and negotiated. Therefore, there would be no liability of the land bank to the innocent purchaser in such case, and insurance of 10 per cent. of their value when shipped by express would be ample protection.

Duty of Bank to Stamp "Payment Stopped"

While it is customary for banks upon refusing payment of stopped checks to stamp same "payment stopped," the question whether it is

the duty of a bank to so stamp the check, for failure of which it would be liable to a customer who was compelled to pay the check to an innocent purchaser to whom it was subsequently negotiated, has never been decided and is problematical.

From Rhode Island—If a check on which a stop payment order was held is presented for payment and payment refused and check returned to the holder without being stamped "payment stopped," and afterwards falls into the hands of an innocent party, would the paying bank be liable for amount of check on account of neglect to stamp same "Payment Stopped"?

It is customary for the drawee bank, where payment of a check has been stopped, to stamp the check "payment stopped" when presented for payment as this prevents its further negotiation to an innocent purchaser.

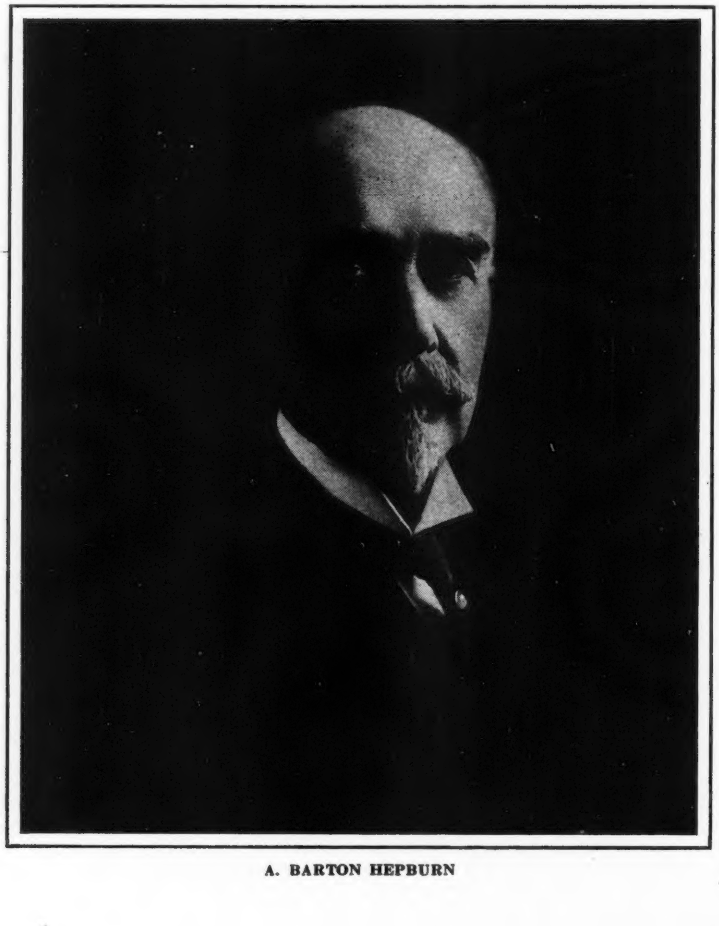
But it has never yet been held that the bank owes a duty to its customer to so stamp the check, failing which it will be liable to him should the check afterwards be negotiated and the customer held liable thereon to an innocent purchaser.

Until the point has been decided, the question of liability of the bank in such a case is problematical.

Benefactions of A. Barton Hepburn

The directors of the Hepburn Hospital at Ogdensburg, St. Lawrence County, N. Y., have announced that the hospital has received from A. Barton Hepburn, chairman of the Advisory Board of the Chase National Bank of New York, an additional gift which gives the hospital, through this donor's munificence, an endowment fund of nearly $500,000.

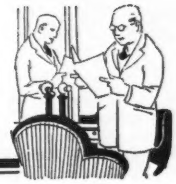
Various sections of St. Lawrence County, of which Mr. Hepburn is a native, has received from him gifts amounting to more than $1,000,000. The larger benefactions which he has made in recent years to educational and philanthropic institutions there and elsewhere approach the $3,000,000 mark. The list is as follows:



A. BARTON HEPBURN

A. Barton Hepburn Hospital, Ogdensburg, N. Y.......... Two buildings and endowment	$600,000
Imperial University of Tokyo, Tokyo, Japan (125,000 yen). Endowment of Chair in American History and Government	60,000
Libraries at Canton, Colton, Lisbon, Madrid Waddington Hermon, Edwards, and Norfolk, St. Lawrence Co., N. Y. Building and $20,000 endowment at all except Canton, where $50,000 was given for maintaining four branches	500,000
Tuskegee Institute, Alabama..	5,000
Princeton University, Princeton, N. J.................... Endowment	150,000
Middlebury College, Middlebury, Vt.................... Hepburn Hall (dining room and commons) General Endowment Athletic Endowment Endowment of Chair in Special Women's Subjects	650,000
Wellesley College, Wellesley, Mass. .... Endowment	130,000
Williams College, Williamstown, Mass. .... Endowment	130,000
New York University School of Commerce, New York City .... Endowment	50,000
St. Lawrence University, Canton, N. Y.................. Endowment	75,000
Chamber of Commerce of the State of New York, New York City .... Endowment	225,000
Columbia University School of Business, New York City... Endowment	350,000
Total	$2,925,000

RECENT DECISIONS



THOMAS B. PATON, Jr.
Assistant General Counsel

Contract by Directors of National Bank to Elect One as an Officer for Fixed Term is Void—Minnesota

The plaintiff, B. H. Van Slyke, was the president and one of the directors of the Metropolitan National Bank of the city of Minneapolis, and the defendants were the other directors of that bank. The plaintiff made an agreement with the defendants to resign the office of president of the bank on November 1, 1917, and to sell his bank stock to the defendants, or any of them, for $130 a share, and in consideration thereof the defendants agreed to buy one-half of his bank stock at $130 a share, to elect him chairman of the board of directors of the bank, to maintain him in that office for a period of fourteen months from November 1, 1917, to have the bank pay him (or his widow in case of his death) $14,000 in monthly installments of $1,000 each, and to secure the ratification of the agreement by the incoming board of directors at the meeting in January, 1918. In reliance on this agreement the plaintiff resigned as president on November 1, 1917, and on the same date was elected chairman of the board of directors for fourteen months. He served as such chairman until the annual meeting of the stockholders in January, 1918, when at such meeting the defendants failed and refused to reelect him a director of the bank. The defendants caused the sum of $2,500 to be paid him under the agreement, but refused to pay the balance of $11,500 due thereunder, and to recover this sum the plaintiff brings this action.

The court ruled that the contract of the directors of the Metropolitan National Bank is void as against public policy, and that no right of action can be founded thereon, saying that the directors of a bank occupy a fiduciary relation to the bank and its stockholders which disables them from binding themselves by contract to take action in their official capacity for the personal benefit of anyone, and that if they undertake to bind themselves by contract to elect a designated person as an officer of the bank for a specified time at a specified salary, such contract is illegal and void as it might result in detriment to the interests of the bank. Furthermore, the National Banking Law expressly provides that any officer of a national bank may be removed at any time by the board of directors, and any contract which would restrict the right to exercise this statutory power is necessarily void. Van Slyke *v.* Andrews *et al.*, 178 N. W. 959.

A CONTRACT made by the directors of a national bank to elect a designated person as an officer of the bank and maintain him in such office for a specified time at a specified salary is void.

IT is usually considered that where a bank has no notice that funds deposited are held by the depositor in trust it may apply such deposit to the depositor's debt without becoming liable to the beneficial owner.

A CLEARING house transaction whereby checks are delivered to the representative of the bank upon which they are drawn and the bank presenting them receives credit or money to cover the account does not of itself constitute payment of the check preventing drawee bank from subsequently refusing payment.

WORDS written on the margin of a promissory note before it is signed are as much a part of the note as if they were written in the body of it and are binding on the parties.

WRITTEN authority by which an agent is "hereby authorized to transact any and all business for the company" does not authorize him to indorse and transfer check payable to the company in the absence of surrounding circumstances indicating any necessity for the agent making the transfer in accomplishment of duties, and a remote transferee of check has no right to assume he had such authority.

A CUSTOMER who, while attempting to enter a bank, stepped through the wrong door and fell down-stairs, recovered $2,750 for his injuries.

BANK holding Liberty bonds for its customers must exercise "the care that a prudent and diligent banker would give his own property or securities of like value and importance."

A. B. A. "Checks Without Funds" statute is constitutional.

Deposit in Wife's Name Held That of Husband as to Right of Set-off —California

One Wallace Taylor was indebted to the San Ramon Valley Bank, the defendant, upon a past due promissory note for $700. Taylor had an ordinary deposit account with the defendant which had been kept in his own name, but the same was changed and later kept in the name of Clara Taylor, his wife. At that time the defendant knew that Taylor was financially embarrassed and the change was made in the name of the account in order to protect the deposit against demands by creditors. Clara Taylor had no interest in the account. Taylor was engaged in the business of buying and selling live stock, both on his own account and for others on commission, acting as a broker. This was known to the bank. In the course of this business one Arnold, the plaintiff, entrusted to Taylor, as such broker, the sum of $500, instructing him to use the same in buying live stock and selling the same for the plaintiff. Accordingly, Taylor deposited with the bank to the said account, in the name of Clara Taylor, the sum of $500 so entrusted to him by Arnold, and the same was placed to the credit of Clara Taylor. It was then agreed between Clara Taylor and the bank that any checks which might be drawn by Wallace Taylor should be paid out of the money so deposited in the name of Clara Taylor. Thereafter Wallace Taylor purchased live stock for the plaintiff to the aggregate amount of $500, and he gave checks therefor to the persons from whom he bought the same. These checks were presented to the bank for payment and payment was refused on the ground that there were not sufficient funds in the account to pay said checks. As Taylor never notified the bank that the said $500 was not his property nor that it had been entrusted to him as broker for the plaintiff, the bank as holder of the past due promissory note applied the deposit in satisfaction thereof to the extent of $713.44, the same being the balance then remaining on deposit. In an action brought by Arnold against the bank the court nonsuited the plaintiff. The plaintiff contended that where the money deposited actually belonged to another person and the depositor held it in trust for the true owner at the time of making the deposit, the bank has no right of set-off as against the true owner, and that upon proof that it was so held in trust the plaintiff may recover it from the bank, notwithstanding the fact that the banker had no knowledge of such trust relation or of the character of the money deposited. The court said: "It is usually considered, however, that where a bank has no notice that funds

deposited are held by the depositor in trust, it may apply such deposit to the depositor's debt without becoming liable to the beneficial owner." Arnold *v.* San Ramon Valley Bank, 194 Pac. 1012.

Adjustment Between Banks Through Clearing House Held Not "Payment" of Check—California

The Supreme Court of California has recently quoted with approval the following extract from the opinion in Hentz *v.* Nat. City Bank, 159 App. Div. 743:

"A payment through the clearing house and a payment over the counters of a bank upon which a check is drawn are entirely different. The clearing house is simply a representative of all the banks who are members of it. Its purpose is to enable these banks to go to the clearing house each day and there present checks drawn on other clearing house banks received the day before and receive from the clearing house checks drawn on the presenting bank which have been sent in by some other member. The clearing house then balances the checks sent by a bank against those sent to it, and later in the day a bank either pays or receives the balance due to or owing by it; in other words, it is an adjustment of balances solely for the convenience of the banks who are members of the association. *It is in no sense a payment binding upon the bank upon which the check is drawn,* so far as the payee named therein is concerned. * * * The payment of a clearing house balance is not a payment of any particular check. * * * This would seem to follow from the necessity of each case, because a bank upon which a check is drawn has no opportunity to examine it until after it has been received from the clearing house." Sneider *v.* Bank of Italy, 194 Pac. 1021.

Words Written on Margin of Note Before Execution Are Part of Instrument—Illinois

One Scholbe purchased of one Schuchardt as agent of a mining corporation 5,000 shares of its stock for $1,250. Schuchardt, as an inducement to Scholbe to purchase the stock, stated to him that if he would purchase and pay for the said shares he would undertake to guarantee to repurchase the stock at the same price of $1,250 in case the corporation did not pay any dividends on the stock thereafter; Schuchardt to be released and absolved from such agreement and guaranty if at least one dividend on such stock should thereafter be paid by the corporation. Accordingly Schuchardt, together with his wife, executed a promissory note in the sum of $1,250 payable to Scholbe. The note when delivered had the following marginal memorandum written on its face just below the signature of the maker: "This note is given to secure 5,000 shares of Regina stock." The note was delivered with the verbal agreement between them that if at any time thereafter any dividend was paid to Scholbe or if no dividend was ever paid and Schuchardt should thereafter repurchase the 5,000 shares of stock for not less than $1,250, then in either of such contingencies Scholbe would surrender and deliver to Schuchardt the note, and all liability thereon should cease. In an action by Scholbe on the note it was proved that two or more dividends were paid on the shares to Scholbe, that Schuchardt within two years after the verbal agreement offered to repurchase the 5,000 shares, and that Scholbe refused to sell the same, and that thereafter he refused to cancel and deliver the note to Schuchardt in accordance with the terms of his agreement. In construing the promissory note the court held that the instrument sued on was not an absolute promise to pay $1,250, but was a contract to pay said sum on condition that no dividend was paid on the stock, or in case no dividend was paid that the same would be repurchased by Schuchardt for the original price paid for the stock. The court said: "It is clear that the actual terms of [Schuchardt's] contract are only partially expressed by the note in suit, and that, unless the actual contract may be shown, Scholbe will recover on the note as an absolute contract of payment, although it clearly shows by its express terms that it was given only as security or guaranty. This must be conceded to be true if the marginal words written on the note are to be considered as a part of it, as the plainly expressed meaning of those words is that the note is given as security, 'to secure 5,000 shares of Regina stock.' The primary meaning of the words 'to secure,' as used in this note, is to make secure; to assure or guarantee against a risk or hazard of some kind; and does not imply absolute liability, but a secondary or contingent liability." The court deciding in favor of the defendant held that words written on the margin of a promissory note before it is signed are as much a part of the note as if they were written in the body of it and are binding on the parties. Scholbe *v.* Schuchardt, 127 N. E. 169.

THE removal of the furniture and fixtures of a banking office before turning over the building to a purchaser at a mortgage foreclosure sale may render the bank liable.

STATE tax on national bank stock at the rate of 35.3 mills is invalid where moneyed capital generally in the hands of individual citizens of the state is taxed at the rate of 3 mills.

TRADE acceptance, before final payment, does not constitute payment for the goods sold or terminate lien of seller.

BANK was allowed to recover from surety company for overdrafts permitted by cashier, on whose bond it was surety, although he was guilty of no criminal act.

BANK aiding judgment debtor to avoid payment by assisting in conversion of her property into negotiable certificates of deposit was held in contempt of court and ordered to pay amount due on judgment.

Instrument Not Conferring Authority to Indorse and Transfer Check—Washington

R. S. Towse, agent for the Spalding Fruit Co., received from it the following authorization:

"Yakima, Wash., June 12, 1918.

"To Whom This May be Presented:

"This is to certify that the bearer, Mr. R. S. Towse, is an authorized representative of the Spalding Fruit Company and is hereby authorized to transact any and all business for said company.

"Spalding Fruit Company,
"Per H. K. Spalding, Manager."

On June 22 a restaurant company drew a check in the usual form for $293.15 against its deposit account in the Seattle bank, payable to the order of the fruit company. The check came into the possession of Towse, who, as agent for the fruit company, indorsed and transferred it to the American Railway Publishing Company. Thereafter, on the same day, the check was delivered by said Towse to one Coleman, an indorsement being written on the back as follows: "American Ry. Pub. Co., by C. E. Melville, Treasurer; R. S. Towse, Mgr." Towse was at all times in question the president, manager, one of the trustees and a stockholder of the publishing company. The consideration of the transfer of the check by Towse to the publishing company was a debt due from the Spalding Fruit Co. to the publishing company and the consideration for the transfer of the check to Coleman was indebtedness owing Coleman from the publishing company for legal services. Before receiving the check Coleman asked Towse by what authority he indorsed the check for the fruit company, and thereupon Towse produced the above-quoted writing, asserting that to be his authority for so indorsing the check. Coleman relied wholly upon this authority as evidencing Towse's authority to indorse the check for the fruit company. The check was later presented in Coleman's behalf to the drawee bank and payment thereof refused because of the stop-payment order of the fruit company made because of the want of authority on the part of Towse to indorse or transfer the check. Thereafter Coleman, as holder, brought suit on the check, which had been certified, against the Seattle National Bank. The court decided in favor of the bank, saying: "We are quite unable to see any implication arising from the language of this writing alone, suggesting that Towse possessed this extraordinary agency power, and we are to remember that there is nothing in this record showing any extraneous circumstances touching the nature of the business he was supposed to, or did, transact for the fruit company from which any such implica-

tion can be drawn." The court in its decision quotes from 2 C. J. 636 as follows:

"Commercial paper, such as bills, notes and checks, passes current to a limited extent like money, and accordingly power to an agent to execute or indorse it is to be strictly limited and will never be lightly inferred, but ordinarily must be conferred expressly. The most comprehensive grant, in general terms, of power to an agent conveys no power to subject the principal to liability upon such paper unless the exercise of such power is so necessary to the accomplishment of the agency that such intent of the principal must be presumed in order to make the power effectual."

Coleman *v.* Seattle National Bank, 186 Pac. 275.

Liability of Bank to Customer Falling Down-Stairs While Attempting to Enter Bank—Iowa

Downing, a customer of a bank, while attempting to enter the bank, stepped through the wrong door, fell downstairs and was painfully injured. He obtained a verdict and judgment against the bank for $2,750, from which the bank appealed. It contended (1) that he was negligent in not looking at the floor while stepping into the bank building, (2) that it was not negligent, (3) that he was a mere licensee, as to whom it owed no affirmative duty of care, and (4) that the verdict was excessive.

The vestibule opening into the bank had two doors, one parallel to the street, opening into the lobby of the bank; the other, at right angles to the street, was a door to a stairway leading to the basement. Between the lobby of the bank and the stairway was a "balustrade" of the same height as the bank counter and in harmony therewith. From the open stairway door could be seen the lobby of the bank. Apparently the stairway door was open and the other one closed when Downing came to the bank, which open door partially obstructed the door to the bank lobby. Downing, through the open door, saw the officer of the bank with whom he wished to transact business, and attempting to go where he was, took a step and landed at the bottom of the stairs. Downing claims that he thought the balustrade was the bank counter.

(1) The contributory negligence of Downing was for the jury, especially in view of the fact that the building was one that the public was invited to enter. "We are not prepared to hold that, as a matter of law, a person about to enter a bank, store or other business building which the public is invited to enter for the transaction of business is guilty of negligence in failing to look to the floor of the vestibule or corridor of such a place of business before crossing the threshold of an open door."

(2) The negligence of the bank was also for the jury. The open door was the apparent way to enter the bank. A bank owes "a duty to all persons who properly [come] to the bank on business to exercise reasonable care and prudence to provide a safe and suitable entrance to said bank and to have the approaches thereto so constructed and maintained that visitors would not be liable to step into dangerous pitfalls by reason of misleading doors."

(3) Downing wished to transact some bank business and also to see an officer of the bank, who was also a township officer, about a township matter. The officers of the bank allowed this particular officer to transact the town business at the bank. Downing, coming upon the premises to transact this business of a dual character, "was something more than a mere licensee."

(4) While the $2,750 verdict was large, the court felt that it could not substitute its judgment for that of the jury. Downing *v.* Merchants' Nat. Bank, 184 N. W. (Iowa) 722.

Liability of Bank for Stolen Liberty Bonds—North Carolina

The liability of a bank for Liberty bonds stolen from its vault was presented by an agreed statement of facts, from which it appears that Elon College delivered Liberty bonds to the Elon Banking and Trust Company for transmission and exchange into the permanent issue and return to the college. Twenty-six days after the return to the bank of the bonds burglars blew open the vault and stole them. They were deposited in the safe of the bank, together with bonds belonging to the bank itself (all of which were stolen), instead of in the burglar-proof compartment or "money chest." The insurance policies carried by the bank provided for 100 per cent. protection from loss from the burglar-proof compartment, but for 10 per cent. only as to property in the safe. This 10 per cent. the bank collected and has tendered to the college, which refused the tender, contending that the bank was liable for the full value of the bonds.

The court stated in the first place that such services as those rendered here were not only within the scope of the authority of banks, but also "a very important part of the business of every bank."

"While it is a general rule that an accommodation bailee is liable only for gross negligence, the courts in nearly all recent cases have held that a stricter degree of care is required of banking institutions receiving articles of more than usual value [such as Liberty bonds], and holding themselves out as having special facilities for their transmission and safe-keeping. In fact, they are not accommodation bailees, for while a bank 'may not receive any direct compensation for its service, it obtains advantages therefrom in attracting and retaining clients.'"

Since banks so hold themselves out "and since such institutions at such small cost can obtain indemnity that will absolutely protect them, the courts have come to apply to them a measure of liability which has been invited by them, to wit, the rule of the ordinarily prudent man in like circumstances; or to be more specific, *the care that a prudent and diligent banker would give his own property or securities of like value and importance.* As has been said, the assertion that banks are liable for gross negligence only is well calculated, if generally accepted as such, to thwart the only purpose for which such a deposit is ever made. Banks are instituted and their buildings constructed for the delivery in, and safe-keeping of, money and money securities."

That the bank took the same care of the securities deposited as it did of its own similar securities is not conclusive of its lack of negligence under the modern rule. It repels a presumption against it arising from the loss, but is not conclusive of non-liability, "because manifestly one may take risks with his own property that he has no right to take with another's and because it is not a question of the care exercised by him as an individual merely, but as one of a class."

The agreed statement of facts did not include and in the nature of the case would not include any agreement as to the ultimate fact of negligence or lack of negligence. Consequently, in the particular case, although many evidentiary facts were stated tending to show negligence, the court refused to decide the question as one of law, but stated that it was a question for the jury. Elon College *v.* Elon Banking and Trust Company, 109 S. E. 6.

State Tax Discriminatory Against Shares of National Banks—Federal

The shares of the First National Bank of Fargo, N. D., together with the shares of other national and state banks, were taxed for state, city, county, etc., purposes at the rate of 35.3 mills per dollar of valuation, exclusive of that invested in real and personal property.

By the Money and Credits Act of North Dakota (C. 230, Laws 1917) "other moneyed capital in the hands of individual citizens of the state," with certain exceptions, was taxed at the rate of 3 mills on the dollar of valuation. Had this rate been applied to the shares of the Fargo bank the tax would have been $1,482 instead of $17,483.

The bank brought suit "as the statutory paying representative of the shareholders" to enjoin the collection of the tax as in violation of Section 5219, U. S. Rev. St., which provides that shares of stock of national banks shall not be assessed at a greater rate than that *"assessed upon other moneyed capital in the hands of individual citizens of such state."*

The discrimination to be in violation of the Federal statute must be *"appreciable or substantial."* The discrimination here was such. In the city of Fargo, "there was at least $2,000,000 of moneyed capital in the hands of individual citizens taxed at the 3-mill rate and $1,383,023 of national and state bank shares taxed at the rate of 35.3 mills; * * * the same relative proportion existed throughout the county and the state."

"It is not enough to say that the *shares of state banks are treated equally with those of national banks."*

"The act of Congress itself makes the classification, and the comparison for equal treatment in taxation of moneyed capital is between that belonging not to banks, national and state, and other cor-

porations as a class, but *to the individual citizens* of the state."

It is immaterial that the 3-mill tax rate was enacted to prevent moneyed capital of individuals from escaping taxation. Eddy *v.* First Nat. Bank of Fargo, 275 Fed. (Cir. Ct. App.) 550.

Removal of Furniture and Fixtures Before Delivering Possession of Banking House to Purchaser at Foreclosure Sale—Idaho

The Pioneer Bank and Trust Company, before delivering possession of its banking house to Beebe, the mortgagee, who bought the property in at foreclosure sale, removed certain furniture and fixtures, and even a door of the bank vault. This removal resulted in a suit by Beebe for damages.

The primary question is as to whether the mortgage covered the property in question. It expressly included "the improvements thereon situated." This phrase would include "any fixtures which had become part of the realty; it would not include fixtures which had not become part of the realty."

The parol agreement made at the time of the execution of the mortgage that furniture and fixtures should not be included in the mortgage could not be shown, since it would vary the terms of the written agreement, which, as we have seen, expressly included "improvements."

Were then the various articles in question fixtures? This depends upon the application of well-settled principles of law to the facts of the particular case.

As for the furniture and fixtures, "they were set flush against the walls and fastened to them; the baseboard being cut and fitted around the partitions, which were attached to the floor with angle iron braces. It took carpenters one day and three hours to remove them, and their removal left marks upon the walls and gaps in the baseboard. The vault door was built into the wall of the vault, imbedded in cement. It took an expert stone mason and concrete worker fifteen hours to get it out of the wall by cutting away the concrete built around it."

"The fact that the bank carried the property in question on its books as fixtures was not admissible to show its true character. If it tended to show an intent on the part of the bank it was a secret intent not disclosed to the mortgagee or the appellant, and was therefore not admissible."

Applying the general principles of the law of fixtures the court held that the door to the bank vault was a "fixture" as a matter of law and covered by the mortgage. The other property presented a question of fact for the jury. Beebe *v.* Pioneer Bank and Trust Co., 201 Pac. 717.

Checks Without Funds Statute Constitutional—Georgia

The "Checks Without Funds" statute, recommended by the American Bankers Association, has been held constitutional by the Georgia Supreme Court. The statute (Georgia Banking Law of 1919, Art. 20, Sec. 34) does not violate "article 1, section 1, paragraph 21, of the constitution of this state, which prohibits *imprisonment for debt.* The section [of the statute] is not designed for punishment for mere non-payment of debts, but provides for the punishment of persons practicing the fraud specified therein." Hollis *v.* State, 108 S. E. (Ga. Sup.) 783.

Trade Acceptance as Payment and as Terminating Lien—Washington

The seller of iron castings drew a trade acceptance on the purchaser, which accepted it. The seller deposited it at its bank and was given credit therefor. When presented at the bank at which it was made payable the funds of the acceptor were insufficient to pay it and payment was refused. The acceptance was then returned to the depository bank, which charged the amount thereof back to the depositor.

"The trade acceptance, not having been paid, did not operate as a payment of the debt, nor defeat the right of foreclosure." In other words, it did not terminate the mechanics' lien of the seller. Sumner K. Prescott Co. *v.* Sumner, 201 Pac. 308.

Recovery on Cashier's Bond for Non-Criminal Overdrafts—Louisiana

Druilhet, the cashier of the Bank of Jeanerette, allowed certain overdrafts and "cash items" for the amount of which the liquidators are seeking to hold him and the American Surety Company, the surety on his official bond. The bond covered "such pecuniary loss, not exceeding $10,000, as said employer shall have sustained by any act of fraud, dishonesty, forgery, theft, embezzlement, *wrongful abstraction or misapplication* on the part of said employee."

The surety company claimed that since there was no contention on the part of the liquidators that the acts of Druilhet were criminal, the terms of the bond did not cover the allowance of overdrafts and cash items, but the court refused to adopt this claim, holding that the surety would be liable for a misapplication of the funds, whether or not the cashier had a criminal intent.

The remaining question, then, is whether the overdrafts and cash items were authorized.

"The overdraft is the act of checking out more money than one has on deposit in a bank; and it may be either a legitimate method of borrowing the money or a criminal method."

The court assumed that the board of directors of the bank had power to make such loans as it saw fit, consistent with good faith, etc. "The cashier, as we understand the general rules governing such institutions, was not authorized, by virtue of his office, to make loans or allow overdrafts or cash items."

"But it was no doubt competent for the board of directors to vest in him certain discretionary power in such matters." In the particular case, "as the authority of the cashier was not granted in specific terms, but is deduced from the acquiescence of the directors in its exercise by him, the measure of his authority is determinable by the extent, conditions and period to, under and during which it was exercised." Acquiescence in overdrafts by the cashier personally, by a firm of which he was a member and by a firm of which his brother was a member, for instance, would not give him authority to increase greatly those overdrafts.

The directors were held to have acquiesced in all overdrafts prior to a stated meeting of the board because of their previous knowledge and their failure to repudiate them. But they were held not to have acquiesced in overdrafts and cash items subsequent thereto "because we are satisfied that they were in ignorance that overdrafts and cash items were then being allowed, and would not have acquiesced therein if they had been informed of them." Bank of Jeanerette *v.* Druilhet, 89 So. 674.

Liability for Participating in Conspiracy to Obstruct Enforcement of Judgment Against Customer—Federal

A civil contempt proceeding was brought against the First National Bank of Modesto, Peck, its president; the Union Savings Bank of Modesto, Swan, its president, and another, because of an alleged conspiracy to obstruct the enforcement of a judgment of $32,000 against Mrs. Dillon, entered October 3, 1919, on which execution was stayed at her request for thirty days.

Immediately upon the rendition of the judgment Peck and Swan aided her in converting her real and personal property "at a large sacrifice" into negotiable certificates of deposit issued by the two banks. Defendants did not deny this, but did deny knowledge of Mrs. Dillon's purpose in disposing of her property. They asserted that they treated this as an ordinary business dealing. The court detailed the circumstances at great length and concluded from the facts recited that Peck and Swan were chargeable with knowledge of the real purpose of Mrs. Dillon, "and as to the two banks, they, of course, are chargeable with the same knowledge, purpose and intent as their officers through whom alone they could act."

When the banks and their officers "undertook to render this judgment nugatory and valueless by lending their aid to remove the only tangible property of the judgment debtor beyond the reach of process they were as guilty of violating the court's order as though it had forbidden their acts in positive terms, and under well-established principles their acts constituted a contempt of court."

The banks and their officers, as joint tort-feasors, were required to pay the amount remaining due on the judgment ($3,367.11), with interest and costs, and an attorney's fee of $750. The court did not consider it material that by proper proceedings plaintiffs in the original action against Mrs. Dillon might collect more from the property of Mrs. Dillon. "It is not a case where plaintiffs should first be required to exhaust their remedy against" Mrs. Dillon. Lineker *v.* Dillon, 275 Fed. (Cal.) 460.

Business Aspects of the New Free State

CONSIDERED purely in its business aspect—and eliminating all political considerations—the ending of seven and one half centuries of strife and contention betwen England and Ireland is an event which commands interest because of the commercial opportunities which may now be opened.

With the distractions, the drain in money and in man power of civil war removed, the people of the new Irish Free State may be expected to turn their energies and capabilities to the development of their country to its fullest possibilities. That Ireland is not an extensive domain need be no insuperable obstacle to future greatness; England, though possessing more area, also is restricted in home land area. England has an area of 50,874 square miles and on the basis of the 1911 census 34,045,290 population, while Ireland with an area of 32,586 square miles had, according to that census, 4,390,219 population—roughly speaking, the new free state is in area something like Georgia or Indiana and in population, according to the old figures, ranking with Texas.

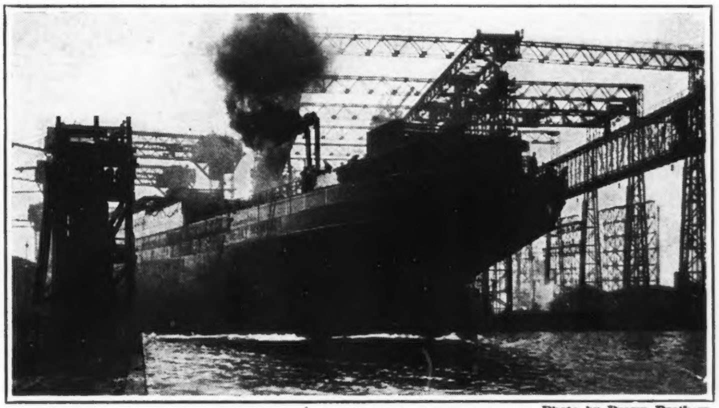


Photo by Brown Brothers.

Launching An Ocean Liner at Belfast

The staple industry of Ireland is agriculture and in 1919 one fourth or about 5,326,437 acres, according to the report of our vice-consul at Dublin, was under crops, the largest of which was hay, to which 2,520,096 were devoted.

Among the best known, and perhaps the most highly regarded, of Ireland's industrial products is its fine linen. In the Belfast district alone there are from 100 to 200 factories engaged in the production of linens and it is said that 350,000 persons in the Ulster district depend directly or indirectly upon the linen industry for their livelihood. Commencing with the autumn of 1920 the industry suffered a period of depression which closed some factories and reduced others to operation of but a few days a week. The operatives were paid by their employers a proportionate sum and under the government unemployment acts they received additional income.

A perplexing feature in this industry has been a shortage of home grown flax due to the curtailment of acreage. The crop is not the easiest crop to raise and, uncertain of its harvest value, farmers have hesitated over venturing with it in the way they would in normal times. Besides this, importation from Russia, whence comes a large part of the raw material, has long since ceased. But despite all the ramifications of the depression the linen industry never was in any more danger of extinction than is our own cotton industry.

But notwithstanding the losses of the World War, the drain of civil war and the general upset of business, Ireland, according to reports, does not enter into its new sphere in an exhausted condition. Some of the favorable factors are illustrated in the following report from Trade Commissioner G. B. Johnson:

"The deposits and cash balances in the Irish Joint Stock banks on June 30, 1913, were £62,142,000. There was an increase each year, and a rapid increase in the rate of increase, until on June 30, 1921, the figures reached £186,440,000. In the Post Office Savings Bank, where the humble man keeps his nest egg, the deposits of £13,167,000 at the end of the year 1913, rose to £13,870,000, at the end of 1920. In the Trustee Savings Banks the figures for June, 1913, and the same month this year were £2,633,000, and £3,437,00 respectively. Full allowance in considering these figures should be given for the general increase in values of commodities, or in other words the decrease in the purchasing power of money. Considering this, it will be seen that while the cost of living in Great Britain (probably much less in Ireland) in July of this year was about 122 per cent. above the cost in July, 1914, as recent Board of Trade returns show, which no doubt fairly approximately represents the general increase in values in the same period. the deposits in the Joint Stock, Post Office Savings Bank and Trustee Banks increased 168 per cent. In other words, the tide of prosperity in Ireland increased at a much faster rate than the cost of living. During the period June 30, 1913, to June 30, 1921, the amount of British Government Stock held in Ireland increased from £43,335,000 to £102,048,000 or 135 per cent."

"The balance of Irish trade has been strongly in Ireland's favor. For the three years 1918, 1919 and 1920 Irish exports have exceeded imports by over fifty million sterling. This has served greatly to strengthen Ireland's economic position. The graziers have been benefited by high values which have ruled for live stock. Ireland is fortunate, in view of the present marked shortage of meat in Europe, in having conserved practically intact her pre-war quantity of cattle."

The United States reports show that in 1920 the island imported from this country a total of $38,-

Photo by Brown Brothers.

Agriculture the Leading Industry

206,364 and exported to this country a total of $42,312,262.

If the present plans do not miscarry Ireland will have the making of a tariff the nature of which will determine the future volume of trade between it and the United States. But one thing is certain—that by the settlement of the trouble, business in the United States is to be relieved of irritation and ways are now opened for the investigation of new possibilities. If under the new régime emigration is stayed, the commercial strength of the new free state may give additional impetus to its industries.

The importance of this factor is suggested by reference to the population of the island in 1841. Then there were 8,175,000 people. There has since been a steady decline. During the sixty years from 1851 to 1911, more than 4,190,000 persons, or a host approximately as great as the total population of today emigrated to other countries.

Fingerprint Protection

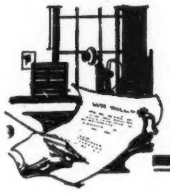
THE Postoffice Department has established the fingerprint method of identification in connection with the postal savings system in every postoffice having on deposit $100,000 or more.

There are two main purposes in taking fingerprint impressions of postal savings depositors, says the Department in its letter of instructions. First and foremost, is the protection of paying postmasters and postal savings clerks. It is intended that the taking of fingerprints shall supplement but not supplant the test questions. These questions will continue to be used for identification purposes as well as to serve many other useful purposes, such as in locating the payees or their relatives in the event of the account becoming unclaimed. The infallibility of the fingerprint for identification purposes is well known and established.

A second and almost equally important reason for the taking of fingerprints is the protection of the depositors. While test questions ordinarily are sufficient to identify the depositor, cases have arisen in which near relatives or acquaintances have answered the test questions to the satisfaction of the paying postmaster or clerk and thereby secured deposits illegally. While "the faith of the United States is solemnly pledged to the repayment of deposits" and the depositor always receives his money, at the same time considerable delay usually results in such cases which the taking of fingerprints will eliminate. Many of our foreign-born depositors in the progress of their Americanization attend the schools and show such improvement in their writing that their signatures materially change. Fingerprints in such cases saves the depositor the possibility of a delay in withdrawing his funds and eliminates the "chance" which the paying postmaster or clerk might take. Fingerprints will also be an invaluable aid in connection with the transfer of accounts between post offices, payments by mail, and where the depositor cannot write his name or does not write in English characters.

The Department directs that a print of the first or index finger of each hand shall be taken, and the director continues:

The impression of a finger on each hand is taken so that in the event of injury to the right hand making it impossible to take the fingerprint in making a withdrawal, the identification may be established by the first finger of the left hand.



TRUST COMPANY DIVISION

Third Mid-Winter Conference

As announced in last month's issue of THE JOURNAL, the Third Mid-Winter Conference and the Eleventh Annual Banquet of the Trust Companies of the United States will be held at the Waldorf Astoria Hotel, New York City, on Thursday, February 16.

The conference will be held in the morning and afternoon and the program will consist principally of discussions upon topics of interest to fiduciary institutions. A luncheon will be held at one o'clock, at which time the opportunity will be afforded to renew old friendships and form new ones. Reservations for the luncheon may be made as usual on blanks supplied to all members for this purpose.

Reservations for the banquet to be held in the evening will be made by subscription on the official blanks—also supplied to all members.

Members desiring to secure hotel, theater or railroad reservations may do so—as in the past—upon notifying the deputy manager. These matters should be attended to as early as possible in order to secure proper accommodations.

The 1921 Publicity Campaign

Reviewing the accomplishments of the trust companies' national publicity campaign for the year, it is gratifying to note the success of this pioneer educational movement. Letters from subscribing companies commending the work of the committee and showing many favorable reactions and substantial new business could be given at great length. A few of the expressions show the general feeling as to the value of this campaign:

"We have enjoyed a very nice increase in trust business during the past year, which we believe due to a large extent to the national publicity campaign."

"May we not say that the national publicity campaign during the past year has, in our opinion, been a most meritorious arrangement—one very well planned and administered and apparently productive of the results desired. We are very glad to participate."

"We have been very much pleased with the results of your campaign of trust company advertising and desire to continue our subscription."

"We appreciate what an immense good has been done through this cooperative effort. The committee on publicity is certainly to be congratulated on their work of the past year, which cannot help but be beneficial to all subscribers to the 1921 campaign."

"We are very glad to subscribe because we cannot help but feel that this educational campaign has been of great benefit to the entire country."

"You are doing excellent work and I heartily congratulate you on your success in putting over such practical publicity."

"I want to take this opportunity of conveying to you our appreciation of the services rendered by the publicity campaign along this line and have no doubt that the continued publicity cannot but help the trust business throughout the country."

Personnel of Committees

Committee on Legislation

(Handling Federal Legislative Matters)

Henry N. Campbell, chairman of board, Union Trust Company, Detroit, Mich. (Chairman).

Uzal H. McCarter, president Fidelity Union Trust Company, Newark, N. J.

W. T. Kemper, chairman of board, Commerce Trust Company, Kansas City, Mo.

E. P. Maynard, president Brooklyn Trust Company, Brooklyn, N. Y.

Lucius Teter, president Chicago Trust Company, Chicago, Ill.

H. W. Jackson, president Virginia Trust Company, Richmond, Va.

Committee on Protective Laws

(Handling State Legislative Matters)

Nathan D. Prince, vice-president the Hartford-Connecticut Trust Company, Hartford, Conn. (Chairman).

Thos. C. Hennings, vice-president Mercantile Trust Company, St. Louis, Mo.

J. W. Chalfant, trust officer the Colonial Trust Company, Pittsburgh, Pa.

John Stites, president the Louisville Trust Company, Louisville, Ky.

F. G. Boyce, Jr., vice-president Mercantile Trust and Deposit Company, Baltimore, Md.

J. H. Coverley, trust officer Title Insurance and Trust Company, Los Angeles, Calif.

Committee on Cooperation With the Bar

Wm. S. Miller, vice-president the Northern Trust Company, Chicago, Ill. (Chairman).

Ralph Stone, president Detroit Trust Company, Detroit, Mich.

G. T. Stephenson, secretary and assistant trust officer Wachovia Bank and Trust Company, Winston-Salem, N. C.

Robertson Griswold, vice-president Maryland Trust Company, Baltimore, Md.

F. W. Denio, vice-president Old Colony Trust Company, Boston, Mass.

Committee on Standardization of Charges

George D. Edwards, vice-president Commonwealth Trust Company, Pittsburgh, Pa. (Chairman).

H. F. Wilson, Jr., vice-president Bankers Trust Company, New York.

A. V. Morton, vice-president the Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pa.

Committee on Community Trusts

F. J. Parsons, vice-president U. S. Mortgage and Trust Company, New York (Chairman).

F. H. Goff, president the Cleveland Trust Company, Cleveland, Ohio.

Isaac H. Orr, vice-president St. Louis Union Trust Company, St. Louis, Mo.

F. H. Fries, president Wachovia Bank and Trust Company, Winston-Salem, N. C.

Chas. E. Rogerson, president Boston Safe Deposit and Trust Company, Boston, Mass.

A. W. Harris, president Harris Trust and Savings Bank, Chicago, Ill.

Committee on Publicity

Francis H. Sisson, vice-president Guaranty Trust Company, New York (Chairman).

Fred W. Ellsworth, vice-president Hibernia Bank and Trust Company, New Orleans, La.

G. Prather Knapp, publicity manager Mississippi Valley Trust Company, St. Louis, Mo.

Edw. H. Kittredge, advertising manager Old Colony Trust Company, Boston, Mass.

F. Dwight Conner, manager Publicity Department, Illinois Trust and Savings Bank, Chicago, Ill.

Committee on Staff Relations

P. E. Hathaway, employment manager the Northern Trust Company, Chicago, Ill. (Chairman).

George D. Edwards, vice-president Commonwealth Trust Company, Pittsburgh, Pa.

Arthur H. Burg, vice-president St. Louis Union Trust Company, St. Louis, Mo.

Charles E. Wolff, comptroller Columbia Trust Company, New York City.

SAVINGS BANK DIVISION

President Harding Says

"I have for many years been pretty well convinced that saving money is largely a matter of habit, and people who make a good beginning at it presently discover that it is by no means impossible, and it is also a good thing to do."

So, start with the children.

Try school savings.

Success depends on much besides the blanks and other mere mechanical details.

Member banks should, of course, keep in touch with the Association's files and reports, especially before deciding that expert assistance is not a necessary expense.

From California

"The encouragement of school savings by the bank fraternity through the American Bankers Association, is one of the greatest pieces of bank constructiveness being put over in America today, and we hope to see this movement fostered in every community of the United States."

From letter of December 15 by Philip J. Lawler of the Bank of Italy, San Francisco, Calif.

Industrial Savings Banking

The amount of attention which will be given to increasing the ease with which many employees in industrial and mercantile establishments, and also in commercial or professional offices, may make systematic deposits is the subject of both serious study and much interesting experience at this writing.

A payroll deduction plan which has continued in successful operation through the period of business depression is described elsewhere in this JOURNAL, and reprints of that article may be obtained through the office of this Division.

Other material and personal consultation is also provided by this office for member banks and their clients.

Albany's Industrial Plan

The Albany City Savings Bank has prepared a simple plan for attracting attention to savings accounts which it operates under the title of "Employee's Systematic Savings Plan."

A four-page folder is accompanied by two cards, of which one may be addressed to the employer as an order for payroll deduction or the other addressed to the savings bank asking for a "confidential account" whereby the employee encloses the deposit and pass book in a special sealed envelope which he leaves at the employer's office who then forwards to the bank and receives back the book in like manner.

School Savings Records

The Union Savings Bank of Pittsburgh reports inclusive of the ninth "bank day" on December 13 show:

Total enrollment............	83,392
Bank accounts	72,926
Weekly deposit average......	$17,311.64
Bank balance that day.......	153,284.87
Withdrawals to date.........	2,610.89

On the first bank day twenty-two buildings were 100 per cent., eighty-seven buildings were 60 per cent. or better, one high school opened 1,974 accounts among 2,171 pupils. The number of depositors has been larger each week than on the opening day, on December 13 being 60,256.

Pittsburgh's tenth "bank day," December 20, resulted in deposits of $14,051.63 from 60,817 depositors, of which 1,612 were in the high school mentioned above.

In Toledo the Commercial Savings Bank and Trust Company changed its system after fifteen years of operation prior to October, 1921. After about two months' operation of the new system the record is as follows:

	Old System	New System
Accounts	7,364	23,112
Per cent. of all pupils	24	76
Weekly deposit av...	$912.14	$3,217.60

Jackson (Mich.) banks decided that neither jointly nor singly would they operate a school savings system. A building and loan association thereupon installed its investment plan with over 60 per cent. of the total enrollment recorded as "depositors" on the opening day.

Troy (N. Y.) is making experimental change to relieve teachers of bookkeeping duties.

Vicksburg (Miss.) and Bixby (Okla.) report discontinuance of this school work because of theft of money left in machines. The Peoples Savings Bank and Loan Company of the former city advise that "the schools were so poorly protected that the tellers were broken into and robbed so often that we were compelled to discontinue the use of them." Other cities using a similar system should see that there is no similar damage to valuable property of the banks, the savings deposits of the pupils, and especially to the high reputation of the banks for accuracy, safety and stability. Any abandonment of this important educational project is a misfortune to the pupils.

On Teaching Thrift

What should be included in a textbook on thrift for use in public and private schools? The effort to reply to that question will indicate the difficulties to supply a need which some believe to be more apparent than real. From the correspondence in the Savings Bank Division we quote the following inquiry and our reply:

"I am much interested in getting a system of school savings or thrift in the schools as a part of the curriculum. Perhaps, if we can find a text book, or its equivalent of sufficient moment, we may do so. Not until then shall we have the interest of the teachers at heart, and not until the proposition is thoroughly sold to the teachers shall we be able to interest or develop thrift in the lives of children to any marked degree. The teachers work under such stress of time and strength that they are tempted to think that anything outside of the subjects upon which their rooms are graded is an intrusion."

The Division's reply suggested that "the difficulties in the way of a satisfactory textbook are so great that I doubt if you will find any book which will serve the purpose. I have told this to others, who have thereupon sought to at least plan such a text, but they have all found that the difficulty is inherent in the subject.

"Thrift is a habit like goodness or honesty or any other virtue, and I am quite convinced that mere discussion of the abstract idea will get no further with this topic than with any of the others. The teachers can accomplish most with the abstract idea by being an object lesson for the pupils. Mere discussion of generalities must of necessity be quite ineffective.

"In fact, I would advance the thought that perhaps we should all recognize that thrift cannot be handled as a concrete subject like arithmetic or history, but pertains to every phase of our conduct. In the broad sense we must encourage thrift wherever there is thriftlessness, and therefore it is the practical problem of bankers to deal especially with thrift in the use of money, not with a view to developing misers or millionaires, but a generation which will understand the use of the bank account as the best means to the end of wisest spending or investing."

Forms of Personal Budgets

A letter to one of the advanced students of home economics, who is especially interested in having the subject approached from the banker's viewpoint, contained the following suggestions, which may assist in devising new plans for popularizing a project which in the abstract is recognized to be essential in the application of thrift.

"There seem," wrote the Division's secretary, "to be two distinct classes of people whom you are trying to interest in living on the budget system. First, there is the class of younger people where husband and wife have not grown apart in financial matters, as is so common when the breadwinner gets away from his salary as a clerk. Secondly, there is the other and older part of the population where there is not the frank discussion of financial matters between husband and wife which is essential to the successful operation of the budget system.

"While, of course, the effort on behalf of the second class should not be abandoned, possibly some more special-

ized study should be made to reach and help the younger people just as we are depending for the greatest results in our general thrift work upon the educational influences which we are able to develop for the next generation.

"If the above proposition is sound, much of the discussion with which we are familiar needs to be prepared for use by the class of people who would be helped in the largest number of cases and who will comprise by far the largest number of users twenty years from now.

"In other words, it seems that all of this material should be available in two distinct grades, with a third or preliminary plan of operation for the benefit of pupils in schools.

"To go a step further, and also with the apology of thinking out loud, I would advance the suggestion that the preliminary work should be placed in form for use in connection with our school savings work, which is rapidly spreading to all parts of the country, that the material for the newly-weds will also be of special interest and salability to bankers, and that the work for those who are older and of more confirmed habits must be recognized as having less salability because of its lower effectiveness."

Pamphlets on Postal Savings

The stenographic report of the arguments pro and con as to the proposed amendments to the postal savings account, also a detailed statement by A. E. Adams of Youngstown, chairman of the Federal Legislative Committee of the American Bankers Association, are available for distribution from the office of this Division. Every banker should contain the incontrovertible argument prepared by Mr. Adams.

Connecticut Meeting

The annual meeting of the Savings Bank Association of Connecticut was held December 9 at New Haven. President Frazier of this Division was one of the speakers.

P. LeRoy Harwood of New London was elected president in succession to John Wadhams of Torrington. Other officers were elected as follows: Vice-presidents Arthur P. Nettleton, New Haven; Geo. E. Judge, Waterbury; Edward N. Stanley, New Britain; secretary, William J. Lum, Wallingford; treasurer, Harvey J. Brooks, Deep River; Executive Committee, James F. Hemingway, New Haven; Richard W. Coggeswell, Bridgeport; William A. Nelson, Ansonia; C. H. Leach, Middletown, and Seymour Curtis, Norwalk.

Mortgage Loans

An effective reply to the nation-wide propaganda as to the failure of savings banks to follow a consistent policy as to mortgage loans was pointedly refuted in a report to the Rochester (N. Y.) Chamber of Commerce on November 24.

The report showed that every savings bank in that city was close to its legal limit of 65 per cent. of deposits and surplus for loans on real estate and that $6,000,000 had been loaned on this class of security during the present year and other loans are in process. No other type of institution has been approaching any such record. The report said:

"The board is well pleased with the figures submitted and highly commends the efforts of the savings banks to assist Rochester citizens to live in their own homes. It is unanimously agreed that criticism of the savings banks for not lending freely on real estate is unjustifiable."

This is one item of importance against the accuracy of the information before Congress and President Harding when the new revenue bill was allowed to subsidize withdrawals from banks for deposit or investment in building association securities.

Officers and Committees, 1921-1922

(Continued from last month)

State Vice-Presidents

Alabama—P. O. Thomas, cashier Selma Trust and Savings Bank, Selma.

Arizona—C. W. Gibson, secretary-treasurer Phoenix Savings Bank and Trust Company, Phoenix.

Arkansas—Warren E. Lenon, president Peoples Savings Bank, Little Rock.

California—John Willis Baer, vice-president Los Angeles Trust and Savings Bank, Union Trust and Savings Branch, Pasadena.

Colorado—J. V. Vockins, president Central Savings and Trust Company, Denver.

Connecticut — John M. Wadhams, treasurer Torrington Savings Bank, Torrington.

Delaware—Robert D. Kemp, president Artisans Savings Bank, Wilmington.

District of Columbia—Ezra Gould, president Washington Mechanics Savings Bank, Washington.

Florida—John T. Dismukes, president Peoples Bank for Savings, St. Augustine.

Georgia—J. E. Dunson, Jr., president La Grange Banking and Trust Company, La Grange.

Idaho—Frank L. Davis, cashier Fremont County Bank, Sugar City.

Illinois—H. R. Aisthorpe, cashier First Bank and Trust Company, Cairo.

Indiana—Kent Andrews, secretary-treasurer La Porte Savings Bank, La Porte.

Iowa—John P. Kirby, president First National Bank, Estherville.

Kansas—Geo. H. Hamilton, president State Savings and Mercantile Bank, Wichita.

Kentucky—H. L. Rose, vice-president and cashier First National Bank, Louisville.

Louisiana—F. E. Gunter, vice-president Canal Commercial Trust and Savings Bank, New Orleans.

Maine—W. T. Goodale, treasurer Saco and Biddeford Savings Institution, Saco.

Maryland—Stuart McKim, vice-president Savings Bank of Baltimore, Baltimore.

Massachusetts — George E. Brock, president Home Savings Bank, Boston.

Michigan—William L. Walz, cashier Ann Arbor Savings Bank, Ann Arbor.

Minnesota—W. F. McLane, vice-president Hennepin County Savings Bank, Minneapolis.

Missouri—W. S. Webb, vice-president and cashier Missouri Savings Association Bank, Kansas City.

Mississippi—O. B. Taylor, vice-president Merchants Bank and Trust Company, Jackson.

Montana—R. D. Larabie, president Larabie Brothers, bankers, Deer Lodge.

Nebraska—Ed. Fricke, cashier First National Bank, Madison.

Nevada—George H. Taylor, cashier Washoe County Bank, Reno.

New Hampshire—P. A. Johnson, treasurer Sugar River Savings Bank, Newport.

New Jersey — Howard Biddulph, Bloomfield Savings Institution, Bloomfield.

New Mexico—C. S. White, vice-president First National Bank, Albuquerque.

New York—Everett Smith, president Schenectady Savings Bank, Schenectady.

North Carolina—H. G. Kramer, cashier Savings Bank and Trust Company, Elizabeth City.

North Dakota—R. M. Stangler, cashier Security Savings Bank, Jamestown.

Ohio—B. S. Wellman, president the Worthington Savings Bank, Worthington.

Oklahoma—Arthur E. Beyer, president Guthrie Savings Bank, Guthrie.

Oregon—L. M. Brown, cashier Harney County National Bank, Burns.

Pennsylvania—H. Scott Salmon, cashier Wayne County Savings Bank, Honesdale.

Rhode Island—Arthur E. Stafford, assistant treasurer Peoples Savings Bank, Providence.

South Carolina—Col. Henry Schachte, president Atlantic National Bank, Charleston.

South Dakota—Wm. Hoese, president Commercial and Savings Bank, Sioux Falls.

Tennessee—T. R. Durham, vice-president Chattanooga Savings Bank, Chattanooga.

Texas—R. Lee Kempner, vice-president Texas Bank and Trust Company, Galveston.

Utah—O. W. Adams, vice-president Ogden Savings Bank, Ogden.

Vermont—Hollis E. Gray, treasurer Winooski Savings Bank, Winooski.

Virginia—C. C. Barksdale, cashier Union Bank of Richmond, Richmond.

Washington—R. S. Stacy, president Scandinavian-American Bank, Seattle.

West Virginia—S. D. McGee, cashier First National Bank, St. Albans.

Wisconsin—Ralph McCoy, cashier Bank of New Richmond, New Richmond.

Wyoming—J. D. Thorn, president Sheridan Banking Company, Sheridan.

At a meeting of the Board of Directors of the Guaranty Company of New York, held December 21, 1921, Charles H. Sabin was elected chairman of the Board of Directors and Harold Stanley was elected president of the company.

Dr. A. H. Giannini, president of the East River National Bank of New York City and vice-president of the Bank of Italy of San Francisco, has been elected chairman of the Board of Directors of The Commercial Trust Company of New York.

NATIONAL BANK DIVISION

Executive Committee Conference

Matters of importance to national banks prompted the calling of the nearby members of the National Bank Division's Executive Committee to a conference in the Division's offices in Washington, December 12, 1921. There was discussion of the number of withdrawals from the national system and reorganizations under state laws. The obvious advantage of a nation-wide banking system under the supervision of one central authority and susceptible of being arrayed as a unit in a program of national preservation or advancement was stressed. A communication calling attention to the dangers that beset the national banking system was directed to a number of high Federal government officials. The letter which bore the signature of the division's officers follows:

Gentlemen—The Executive Committee of the National Bank Division of the American Bankers Association, in conference in Washington, December 12, 1921, assembled for the purpose of considering matters of general interest to national banks has, by unanimous vote, directed its officers to communicate with you on the subject of what appears to them to be an approaching crisis in the national banking system of the country. All thoughtful bankers and students of finance, we believe, agree that a banking system controlled by uniform law under Federal jurisdiction is essential to stability and sound finance.

Owing to the adoption of good state banking laws, with broader privileges in a large number of states, we view with alarm the shrinkage in capital and resources of national banks, while the capital and resources of state chartered banks continue to increase. In our opinion there is a decided tendency, which has already taken practical form and which is receiving the most careful consideration of many national bankers, to relinquish national charters and to reorganize in a large way under state banking laws. This tendency, we believe, is most evident in the larger cities and towns and affects on that account a greater proportion of the banking resources of the country than if it were more general.

We did not consider this matter from a selfish viewpoint, for our members can avail themselves of the more liberal state laws and at the same time enjoy, if they so desire, all the privileges of membership under the Federal Reserve System which they now enjoy. We are convinced, however, as citizens interested in the maintenance of a uniform financial system in this country that it will be a serious mistake to permit the national banking system to disintegrate, with the resultant weakening of the Federal Reserve System.

We, therefore, present this general statement to you for your most careful consideration and offer our best efforts in bringing about a solution of the matter if you do conclude that conditions are such as are herein presented.

Income Tax—Bad Debts

Sections 214 (a) (7) and 234 (a) (5) of the Revenue Act of 1921 provide that in computing the net income of an individual or corporation there shall be allowed as a deduction:

"Debts ascertained to be worthless and charged off within the taxable year (or, in the discretion of the Commissioner, a reasonable addition to a reserve for bad debts); and, when satisfied that a debt is recoverable only in part, the commissioners may allow such debt to be charged off in part."

The Commissioner of Internal Revenue, with approval of the Secretary of the Treasury, has issued regulations on the sections quoted as follows:

"The foregoing provision changes the previous practice in two particulars—first, by recognizing a reserve for bad debts, and, second, allowing a debt to be charged off in part. Under this provision, bad debts may be treated in either of two ways—first, by a deduction from income in respect of debts ascertained to be worthless in whole or in part, or, second, by a deduction from income of an addition to a reserve for bad debts. For the year 1921 taxpayers may, regardless of their previous practice, elect either of these two methods and will be required to continue the use in later years of the method so elected unless permission to change to the other method is granted by the Commissioner.

(1) Where all the surrounding and attending circumstances indicate that the debt is worthless, either wholly or in part, the part thereof which is worthless and charged off or written down to a nominal amount on the books of the taxpayer shall be allowed as a deduction in computing net income. There should accompany the return a statement showing the propriety of any deduction claimed for bad debts. No deduction shall be allowed for the part of a debt ascertained to be worthless and charged off prior to January 1, 1921, unless and until the debt is ascertained to be totally worthless and is finally charged off or is charged down to a nominal amount, or the loss is determined in some other manner by a closed and completed transaction. Before a taxpayer may charge off and deduct a debt in part, he must ascertain and be able to demonstrate, with a reasonable degree of certainty, the amount thereof which is uncollectible. Any amount subsequently received on account of a bad debt previously charged off in whole or in part, and allowed as a deduction for income tax purposes, in excess of the amount not charged off, must be included in gross income for the taxable year in which received. In determining whether a debt is worthless in whole or in part, the Commisioner will consider all pertinent evidence, including the value of the collateral, if any, securing the debt and the financial condition of the debtor. Partial deductions will be allowed with respect to specific debts only.

(2) Taxpayers who have, prior to 1921, maintained reserve account for bad debts may deduct a reasonable addition to such reserves in lieu of a deduction for specific bad debt items. Taxpayers who have not heretofore maintained such reserve accounts may now elect to do so and in such cases shall proceed to determine the amount of the reserve that should reasonably have been set up as at December 31, 1920 (which shall not be deducted in computing net income), and in respect of 1921 and subsequent years, may add a reasonable addition to such reserve and deduct the amount in computing taxable net income. Where a reserve account is maintained, debts ascertained to be worthless in whole or in part should be charged against the reserve and not deducted from income. What constitutes a reasonable addition to a reserve for bad debts must be determined in the light of the facts and will vary as between classes of business and with conditions of business prosperity. A taxpayer using the reserve method should make a statement in his return showing the volume of his charge sales (or other business transactions) for the year and the percentage of the reserve to such amount, the total amount of notes and accounts receivable at the beginning and close of the taxable year, and the amount of the debts which have been ascertained to be wholly or partially worthless and charged against the reserve account during the taxable year.

Where banks or other corporations which are subject to supervision by federal authorities (or by state authorities maintaining substantially equivalent standards) in obedience to the specific orders or in accordance with the general policy of such supervisory officers, charge off debts in whole or in part, such debts shall, in the absence of affirmative evidence clearly establishing the contrary, be presumed, for income tax purposes, to be worthless or recoverable only in part, as the case may be.

Accrued interest may be included as part of the deduction for bad debts only when it has previously been returned as income.

A taxpayer (other than a dealer in securities) possessing debts evidenced by bonds or other similar obligations cannot deduct from gross income any amount merely on account of market fluctuation. Where a taxpayer ascertains, however, that due, for instance to the financial condition of the debtor or conditions other than market fluctuation, he will recover upon maturity none or only a part of the debt evidenced by the bonds or other similar obligations and is able to so demonstrate to the satisfaction of the Commissioner, he may deduct in computing net income the uncollectible part of the debt evidenced by the bonds or other similar obligations.

Where mortgaged or pledged property is lawfully sold (whether to the creditor or other purchaser) for less than the amount of the debt, and the mortgagee or pledgee ascertains that the portion of the indebtedness remaining unsatisfied after such sale is wholly or partially uncollectible, and charges it off, he may deduct such amount as a bad debt for the taxable year in which it is ascertained to be wholly or partially worthless and charged off. Where a taxpayer buys in mortgaged or pledged property for the amount of the debt, no deduction shall be allowed for any part of the debt. Gain or loss is realized when the property bought in is sold or disposed of.

Perpetual Charters for National

The National Bank Law, as enacted in 1864, provides that associations chartered shall have succession for a period of twenty years from date of organization.

Each time a charter is extended the bank is put to the expense of having new currency plates engraved, and there is entailed the further loss of the bank notes held by the department for shipment to the bank. All of this could be obviated without difficulty, and recognizing the force of the plea for perpetual charters, Representative Lawrence from Missouri has introduced a bill, No. 9527, providing for their issuance. His proposal would amend Section 5136 of the Revised Statutes so the paragraph therein designated as "Second" shall read as follows:

"Second. To have perpetual succession until it shall be dissolved by the act of its shareholders owning two-thirds of its stock, unless its franchise shall become forfeited by reason of violation of law, or unless it shall be terminated by the provision of Act of Congress hereinafter enacted."

Section 2. All acts or parts of acts providing for the extension of the period of succession of national banking associations for twenty years are hereby repealed, and the provisions of paragraph second of Section 5136, Revised Statutes, as herein amended shall apply to all national banking associations now organized and operating under any law of the United States.

Enactment of this amendment would in no way undermine the rigid continuous supervision exercised over banks by the Federal department charged with administration of the National Bank Act, and there is reason to believe that this bill will be given careful consideration in Congress.

STATE BANK DIVISION

Current Activities

A majority of the members of the State Bank Division of the American Bankers Association are located in rural communities and consequently the activities of the Division are largely devoted to country bank problems.

Farm mortgage finance is the paramount country bank problem at the present time, and the State Bank Division has appointed a committee to consider the subject. Ways and means should be devised whereby banks in agricultural districts may rediscount farm mortgages in some such manner as the Federal reserve banks now rediscount commercial paper.

The State Bank Division is supporting the efforts of the National Association of Supervisors of State Banks and the Investment Bankers Association to secure legislation that shall prohibit the sale of fraudulent or worthless securities without crippling corporations engaged in business that is legitimate, even though of more or less speculative character.

The State Bank Division, through its Public Service Committee, is preparing a series of advertisements suitable for country state banks, intended not only to develop business but to "take the mystery out of banking." The purpose is to enable such banks to use to better advantage the newspaper space for which they are paying.

The State Bank Division Committee on Exchange is cooperating with the Committee of Five of the American Bankers Association appointed to consider the same subject, and both committees are working in harmony with the National and State Bankers Protective Association in an endeavor to obtain Congressional action authorizing charges for the collection of checks.

Pursuant to resolutions adopted at the Los Angeles convention, the State Bank Division is opposing any and all legislation, state or national, intended to extend any form of branch banking in the United States.

Canadian Bank Merger

An interesting episode in Canadian banking is the scheme to merge the Merchants Bank into the Bank of Montreal. A statement issued by Sir H. Montagu Allan, president of the Merchants Bank of Canada, reads as follows:

The directors of the Merchants Bank of Canada have decided to recommend to their shareholders the approval of the absorption of the Merchants Bank of Canada by the Bank of Montreal. They have come to this decision on account of the following circumstances:

Some time ago the directors of the Merchants Bank, having reason to fear that the bank's affairs were not in the condition as disclosed to them, came to the conclusion that it was necessary, in the bank's interests, that a thorough examination of the bank's affairs should be made by a suitable person. They secured the services of H. B. Mackenzie, who was formerly the general manager of the Bank of British North America, and is now the general manager of the Royal Trust Company, and his report showed that the bank's reserve was seriously impaired. The directors of the Merchants Bank have now obtained from the directors of the Bank of Montreal, subject to the approval of the Governor-in-Council and the shareholders of both banks, an offer to absorb the Merchants Bank, and in view of the above facts the directors of the Merchants Bank (who control large holdings of its stock) have decided to advise their shareholders to accept the offer of the Bank of Montreal. A meeting of the shareholders of the Merchants Bank of Canada will soon be called to submit the matter to them as required by the Bank Act.

In commenting on the proposed merger the Toronto *Globe* says:

The absorption of the Merchants Bank by the Bank of Montreal comes as a surprise—unavoidable in the circumstances. More surprising is the announcement that the reserve of the Merchants Bank had been seriously impaired, a discovery resulting from an inquiry ordered by the directors, who, according to an official statement, had "reason to fear that the bank's affairs were not in the condition disclosed to them." The public is entitled to know how and through whom these difficulties arose, and the degree of impairment before the directors suspected the gravity of the situation. A frank and complete explanation will have a reassuring effect on the popular mind.

The Merchants Bank of Canada is one of the oldest banking organizations in the country. Its disappearance is a matter for regret in more than one respect. The tendency to concentration in the banking field has gone far enough, in the opinion of those who are qualified to judge and can take an impartial view. Some years ago a project to amalgamate two Canadian banks was vetoed by the then Finance Minister on the grounds that both were in a sound condition and that no public interest could be served by their union. It was a wise policy, based on the assumption that banking concentration was not in itself desirable, or had reached the limit of safety, but the minister did not always adhere to it. In the present case the stronger bank has absorbed the weaker one for good reasons, but as it brings the banking business into still fewer hands it is to be hoped that the merging process will not be permitted to go further in the future unless it is essential to the security of any institution and the only means of protecting its patrons.

So far as the Merchants Bank currency is concerned, officials of both the merging banks said that its position had not changed in the least, and under the law must be accepted by any of the chartered banks. It would remain in circulation as usual, at least until ratification, and then might gradually disappear. "Even if a bank fails, its bill must be honored by the other chartered banks," said a Merchants Bank official on Saturday, "and it becomes a claim against the assets; besides, there is a fund paid into the Dominion government to meet just such a contingency."

A Toronto financier said it would have been preferable had the resources and responsibilities of the Merchants Bank been distributed among the other fiduciary institutions of Canada, instead of being concentrated in the hands of another big Montreal concern.

"Not only is this placing too much power in the hands of one body," said he, "but it will arouse fresh antagonisms between Montreal and Toronto interests. In addition, it will still further strain the situation which has arisen in connection with the National Railways.

"It is about time," he continued, "that the Toronto banks got a peep in and received their share of the business. At present the Bank of Montreal is sole banker for the Dominion government, not only here in Canada, but also in London, England. The other institutions collect revenue for the government, cash checks at par and all that sort of thing, but get no commission for their work. That all goes to the Bank of Montreal."

In the past ten years the following bank mergers have occurred in Canada:

Royal absorbed Traders, April, 1912.

Royal absorbed Quebec, October, 1916.

Royal absorbed Northern Crown, March, 1918.

Montreal absorbed British North America, July, 1918.

Nova Scotia absorbed Ottawa, January, 1919.

Montreal absorbed Merchants (subject to ratification), December, 1921.

A proposal in 1914 to merge the Bank of Hamilton with the Royal was negatived by the then Minister of Finance, Sir Thomas White.

Blanket Bonds

At the annual meeting of the State Bank Division in Los Angeles the subject of indemnity bonds was discussed and referred to the Insurance Committee of the American Bankers Association. In response to such reference the following reply has been received from the secretary of the Association's Insurance Committee, L. W. Gammon:

This is to acknowledge receipt of your letter of November 23 transmitting report of the proceedings of the State Bank Division of the A. B. A., covering the subject of the **Bankers' Blanket Bond**.

First: **Mr. Lederer is either mistaken or has been misinformed when he states that the rate on the Bankers' Blanket Bond has been increased 200 per cent. to 250 per cent. over the rates of a year ago.** I will state for your information that the Bankers' Blanket Bond was issued in 1916 when it was approved by the Insurance Committee of this Association and the increase in rates **has just been 100 per cent.**, the original rate being $625 and the rate today being $1,250. There have been three increases in rates since it was originally gotten out, making in all 100 per cent. increase.

Second: The insurance companies advise me that the Bankers' Blanket Bond has been a continual loss to their companies since its inception and that they have lost money by writing the bond and practically all the companies would like to discontinue the writing of same. I have discussed the matter from time to time with the various companies and also the Secretary of the Surety Association, but they would not consider writing a blanket bond for less than $25,000 coverage, which covers any number of employees up to twenty-five. The rate on the blanket bond as it now stands is $1,250, on form No. 1, which is approved by this Association. The surety companies have gotten out what is known as form No. 2, which is not as broad as form No. 1, which they are writing at the original rate of $625.

Third: The Bankers' Blanket Bond as it

now stands would not appeal to the smaller banks, even though the insurance companies would write a bond from $5,000 up and one of the principal reasons is that the Bankers' Blanket Bond does not cover property damage. For instance, if the bank were burglarized and its vault, safe, premises, fixtures and safe deposit boxes, etc., were destroyed, carried away or damaged, the blanket bond would not cover the damage, which is a very important item to the smaller banks when they have a burglary.

Fourth: I am satisfied that if the companies would write a blanket bond for from $5,000 up and include property damage, the rate would be even higher in proportion than what the companies are now charging for their blanket bond in larger amounts.

Fifth: In a small bank it is as a rule very easy to determine if there is a shortage and who is responsible for the shortage, so a Fidelity Bond would answer their purpose, which can be had at $2.50 per thousand, and the rates on burglary and hold-up insurance would be determined on the construction of the safe, vault, the population and the burglary equipment, and the companies could not very well make a rate on a blanket bond with the various kinds of construction that the banks throughout the United States have, as each coverage in burglary insurance has a separate rate.

So, I am satisfied from my investigation that nothing could be accomplished in the way of getting out a blanket bond for small banks.

I have further discussed this subject with the various companies and particularly the National Surety Company, who some time ago proposed to the various companies the getting out of a blanket bond for a smaller amount than $25,000 coverage on less than twenty-five employees, but the other companies would not consider the proposition at all, as they claimed that there is no supervision in these small banks like there is in the larger banks, and they could not make any distinction in the bond as it now stands, as outlined in the report to the State Bank Division relative to basing the rate on points other than the number of employees.

This letter has been submitted to the Insurance Committee of the American Bankers Association and has their approval.

Wealth in Waste Land

Secretary Fall of the Department of the Interior computes the area of unoccupied and unreserved lands at 200,320,128 acres and of reservations, national forests and withdrawn territory at 232,944,974 acres, a total area of 433,265,102 acres, exclusive of Alaska. Coal in public ownership is estimated at 10,000,000,000 tons of bituminous, 30,000,000,000 tons of sub-bituminous, and of lignite 50,000,000,000 tons. Oil under public lands is estimated at 700,000,000 barrels, shale oil 50,000,000,000 barrels, phosphate 3,500,000,000 tons, potash 20,000,000 tons. Under Indian reservations are 600,000,000 barrels of oil and 1,000,000,000 tons of phosphate. In Alaska are 20,000,000,000 tons of coal of all grades and 25,000,000 barrels of oil. From hydroelectric development of streams on public lands can be obtained 15,500,000 horse-power.

The eventual returns to the government are estimated on these resources at $5,900,000,000 coal royalties, $175,000,000 oil royalties, $5,000,000,000 oil shale royalties, $280,000,000 phosphate royalties, $30,000,000 potash royalties, $1,000,000,000 Alaska coal royalties and $2,500,000 Alaska oil royalties, which reach the staggering total of $12,387,500,000. This is a subject in which American bankers are or ought to be interested.

Federal Farm Loan Banks

The work of the State Bank Division Committee on Farm Finance has elicited considerable comment on the subject in general and in detail. A western banker writes as follows:

I have the following complaint to make about the way in which the Federal Farm Loan Banks are conducted. It might make a suitable subject for inquiry by your Association. For example, the Federal Farm Loan Bank of this district, in organizing a new association in this locality, gave the temporary secretaryship to one out of three banks, despite a protest for neutral and impartial action. This leaves room for the charter membership to be selected by such secretary in case it is his announced intention to become the permanent secretary. With such an intention in mind it can easily be seen how special interests can control the pivotal position of secretary and be the sole disbursing agent for cheap 6 per cent government moneys. This is too great a handicap to place in the hands of any one person and operates adversely against competing banks by practically giving to one bank the monopoly on cheap money. Furthermore, it is very embarrassing for rival institutions to have to go to another banker if asked to act as counsel for their customers. It would seem to me that a policy whereby any bank could directly approach the Federal Farm Loan Bank for its district would give much greater satisfaction and go a long way towards popularizing the Farm Loan system and making it the real benefit to the community that it is intended to be. It can easily be understood why I might not want to go to a competitor bank to get a government loan for a customer, and when, at the same time, I am denied the privilege of organizing an independent association for three other banks in the county, and others who do not wish to transact business through the favored bank. The careful selection of a neutral and impartial secretary would overcome the difficulty, but it might be hard to find one person in any community who would be generally acceptable to the varying rival interests. I see that I am not alone in my objections to the present system, for an article in the *Wall Street Journal*, under date of November 28, urges the cooperation with ordinary banks instead of relying on farm loan associations, according to George Woodruff, president of the First National Bank of Joliet, Illinois. Another possible objection might be in the room that the present system leaves for political patronage in case any one party or interest wishes to take advantage of the situation. I believe that if the matter were taken up by the American Bankers Association plenty of criticism of the present system would be found throughout the country and the policies could be changed to remedy the difficulties complained about.

A southern banker has this to say:

Is it not possible for the American Bankers Association to take some action that will induce Congress to provide adequate funds for the proper and prompt functioning of the Federal Land Banks? The spectacular activities of the War Finance Corporation mean absolutely nothing to the average debtor. At least such is true throughout the South, if not throughout the entire country. It does seem unreasonable to me that the government can find unlimited millions—with comparatively few takers—to finance the operations of the War Finance Corporation, but cannot arrange to supply funds for the proper functioning of the Federal Land Banks. As a matter of fact, the agricultural loans so widely advertised as being available from the War Finance Corporation would not be needed at all if the pressure for long-time loans on real estate is relieved. It does seem to me that these millions being offered through the War Finance Corporation could be diverted to the Federal Land Banks and the Federal Land Bank bonds held as security therefor until such time as the market will absorb them. If the Federal Land Banks can be put in a position to operate at full speed, as far as the South is concerned, her financial troubles would be almost entirely relieved and I am constrained to believe that the same situation exists more or less throughout the United States.

Wasting Fertility of the Farms

By CHAS. H. MacDOWELL

WE of the United States have been a wasteful people. We have had too much land, and have moved on from state to state in search of the more fertile spots of land, and neglected to maintain the producing power of our conquered area.

Large populations and low crop yields do not go together. In this country our population is rapidly growing and we must more fully utilize nature's stores in our future development. Our national tendency has been to drift from the farm to the towns and cities, because of the great competition of industry with agriculture.

Our population is increasing and our lands at the same time are being depleted. Our ditches are all lined with the fertility of the farms they were dug to drain. From our rivers we lose annually 500,000,000 tons of fertility, thereby diminishing our fertility at a rapid rate. Our sewer pipes are taking from our farms 50,000,000 tons of fertility annually. The crops that are removed from the soil, never to get back to the fields in the form of manure or any other form, take from our farm lands 30,000,000 tons of our fertility annually. In the face of these undeniable facts, our population will be, according to Dr. Edward M. East of Harvard, more than doubled by the year 2020. At the same time he shows that according to our present methods of agriculture and our present rates of food and clothing consumption 197,000,000 is our ultimate population limit. After that point has been reached, our production and consumption will be on an equilibrium, granting that we utilize every acre of available land for farming purposes, and use it all approximately as we use our farm lands at this time.

CLEARING HOUSE SECTION

State Representatives

John R. Washburn, President of the Clearing House Section, has appointed the following to serve as state representatives of the Section for their respective states during the coming year:

Alabama—N. A. Vincentelli, president Capital National Bank, Montgomery.

Arizona—A. T. Esgate, cashier Valley Bank, Phoenix.

Arkansas—W. E. Lenon, president Peoples Savings Bank, Little Rock.

California—H. H. Smock, cashier Security Trust and Savings Bank, Los Angeles.

Colorado—Clark Mitchell, vice-president Bankers Trust Co., Denver.

Connecticut—F. L. Trowbridge, vice-president and cashier First National Bank, New Haven.

Delaware—James P. Winchester, president Wilmington Trust Co., Wilmington.

District of Columbia—Joshua Evans, Jr., vice-president Riggs National Bank, Washington.

Florida—G. L. Wilson, vice-president Florida National Bank, Jacksonville.

Georgia—Geo. R. Donovan, vice-president Atlanta National Bank, Atlanta.

Idaho—Walter E. Miller, president First National Bank, Nampa.

Illinois—W. E. Hazzard, cashier Commercial National Bank, Peoria.

Indiana—J. P. Frenzel, Jr., vice-president Merchants National Bank, Indianapolis.

Iowa—J. L. Edwards, president Merchants National Bank, Burlington.

Kansas—F. W. Freeman, president Merchants National Bank, Topeka.

Kentucky—Isham Bridges, vice-president Citizens Union Fourth St. Bank, Louisville.

Louisiana—C. de B. Claiborne, vice-president Whitney-Central National Bank, New Orleans.

Maine—Edwin D. Holden, manager Portland Clearing House Association, Portland.

Maryland—John E. Boisseau, vice-president National Union Bank, Baltimore.

Massachusetts—F. C. Waite, vice-president and cashier Merchants National Bank, Boston.

Michigan—H. H. Ellerton, vice-president Peninsular State Bank, Detroit.

Minnesota—M. R. Knauft, vice-president National Bank of Commerce, St. Paul.

Mississippi—George Williamson, vice-president First National Bank, Vicksburg.

Missouri—H. Y. Lemon, president Commerce Trust Company, Kansas City.

Montana—Frank Bogart, vice-president Union Bank and Trust Co., Helena.

Nebraska—L. J. Dunn, president City National Bank, Lincoln.

Nevada—G. Wingfield, president Reno National Bank, Reno.

New Hampshire—E. N. Pearson, president First National Bank, Concord.

New Jersey—S. S. Marsh, vice-president and cashier National Newark & Essex Banking Co., Newark.

New Mexico—C. S. White, vice-president First National Bank, Albuquerque.

New York—R. J. Faust, Jr., vice-president Irving National Bank, New York City.

North Carolina—J. Elwood Cox, president Commercial National Bank, High Point.

North Dakota—H. W. Geary, president Merchants National Bank, Fargo.

Ohio—R. B. Crane, president Commerce Guardian Trust and Savings Bank, Toledo.

Oklahoma—T. P. Farmer, manager Tulsa Clearing House Association, Tulsa.

Oregon—Emery Olmstead, president Northwestern National Bank, Portland.

Pennsylvania—Lawrence E. Sands, president First National Bank, Pittsburgh.

Rhode Island—Albert R. Plant, president Blackstone Canal National Bank, Providence.

South Carolina—E. P. Grice, cashier Peoples National Bank, Charleston.

South Dakota—J. B. Lambertson, cashier Security National Bank, Sioux Falls.

Tennessee—L. C. Humes, vice-president Guaranty Bank and Trust Co., Memphis.

Texas—Stewart D. Beckley, cashier City National Bank, Dallas.

Utah—E. O. Howard, president Walker Bros. Bankers, Salt Lake City.

Vermont—C. S. Cole, cashier, Allen National Bank, Fair Haven.

Virginia—John R. Kilby, vice-president Virginia National Bank, Norfolk.

Washington—J. W. Spangler, president Seattle National Bank, Seattle.

West Virginia—E. B. Deison, vice-president Empire National Bank, Clarksburg.

Wisconsin—E. H. Williams, cashier Marine National Bank, Milwaukee.

Wyoming—A. D. Johnston, cashier First National Bank, Cheyenne.

Acceptance Committee

The following were reappointed to serve as members of the Acceptance Committee of the American Bankers Association, which functions through the Clearing House Section:

Percy H. Johnston, president Chemical National Bank, New York City; John W. Wadden, president Sioux Falls National Bank, Sioux Falls, S. D.; Jerome Thralls, chairman, secretary-treasurer Discount Corporation of New York, New York City.

Advising London Promptly

The following letter recently was forwarded to the managers and secretaries of all clearing house associations. We feel this matter should be brought to the attention of all members of the Association:

"The American Bankers Association received a letter of complaint recently from the American Chamber of Commerce in London, bringing to its attention the complaints they have been receiving from their members against what they describe as the 'habit' of American banks that issue drafts on London and then fail to advise London promptly.

"This is a serious matter, but we believe that the delay in the arrival of advices is not intentional. However, we feel it our duty to bring this matter to the attention of all banking institutions in the country through the medium of clearing house associations.

"Where a draft is purchased from an interior banking institution and that institution forwards its advice to its metropolitan correspondent, we can see where a delay can occur, if the advice is not mailed immediately when the draft is purchased. You can readily see that when a party purchases a draft on London or any other foreign point, that draft evidently is mailed immediately by the party purchasing it, and in many instances it reaches New York just in time to be forwarded on the last steamer leaving that day. The advice, if not mailed promptly by the interior bank, does not reach its metropolitan correspondent in time to be forwarded on the same steamer, thus causing the correspondent in this country a delay of three or four days in advising its foreign correspondent.

"Therefore, the advice is not forwarded until the next steamer, which perhaps leaves three or four days later, and the draft reaches London or some other foreign point before the advice, which in some instances may cause the foreign correspondent some trouble, as well as delaying the payment of the draft to the party receiving it. We feel that many of these delays could be avoided if the bank in the interior section of the country issuing the draft would mail the advice immediately to its metropolitan or foreign correspondent.

"As an association, we are very desirous of cooperating with the American Chamber of Commerce in London in this matter. Therefore, we feel it is our duty to bring this matter to the attention of the managers of all clearing house associations in the country, asking them in turn to notify their members to the effect that when selling a draft on London or any other foreign point, they promptly mail their advice to their metropolitan or foreign corre-

(*Continued on page* 532)

Miss Leffler Corbitt

For a number of years Miss Leffler Corbitt has demonstrated her business ability and judgment in her capacity as note teller of The Austin National Bank, of Austin, Texas. Miss Corbitt began her services in the bank as a stenographer. Last January she was elected to the position of assistant cashier. Miss Corbitt is a pioneer woman banker, a woman of vision and experience. She was the first president of the Texas Women Bankers Association and founder of the Austin Business and Professional Women's Club.

Miss Margaret Horner

Miss Horner entered the transit department of the First National Bank, Sioux City, shortly after leaving high school and she filled practically every position from biller to assistant manager. When a substitute was needed in any of the departments, she was used. During the war she was asked to take the receiving cage permanently. She enjoyed the work and was interested in each and every customer, and to that personal interest she attributes her success.

Mrs. Edward Dexter Knight

As chairman of the Women's Liberty Loan Committee and Director of Women's Activities, Government Savings Organization, for the 12th Federal Reserve District during the war, Mrs. Knight gained valuable experience of a financial nature. When the Bank of Italy opened its head office building in San Francisco last summer, Mrs. Knight was placed in charge of its Women's Banking Department. Mrs. Knight manages, when off duty, to maintain a well-established home in which two daughters are not the least of her interests.

(*Continued from page* 531)
spondent. We believe this will alleviate the trouble."

Reporting Bank Debits

It is strongly urged that the reporting of bank debits be made effective by all clearing houses from January, 1922, and it cannot be too strongly recommended that the figures be published in the papers, either daily or weekly as may be thought best, so that full publicity may be given and full benefit derived from these new statistics. In order that this information may be available for purpose of comparison in future years, your committee and the Federal Reserve Board have given very careful thought to the data that should be included, and it is therefore necessary that no deviation be made in the instruction given your banks for compiling these figures; this being done, all banks and clearing houses will be reporting on a uniform basis.

In some parts of the country this information is given as "Net Charges against Deposits," in some as "Bank Transactions," in some as "Bank Debits," etc., therefore in order that these figures may be published under a heading that will be as easily understood by the general public as "Bank Clearings" now are, they should be given out and published under the heading of "Bank Debits."

The Committee on Forms of the Clearing House Section, of which George A. Kelsey, manager of the Cleveland Clearing House Association, is chairman, submitted two forms for use by the member banks of all clearing house associations in making their daily or weekly reports, as they decide to do. Copies of these forms were sent to the managers of every clearing house association in the country.

In order to carry out the plan formulated at the Los Angeles meeting, it is advisable, and we believe necessary, that wherever practicable each bank should make daily reports, to be tabulated by its clearing house for daily publication, and such records kept as will make this statistical information readily available at all times, just as clearing figures are now available. This report shows not only the daily bank debits, but may be carried out to daily bank transactions if the additional statistics should be wanted by any clearing house for its own record.

By following the above instructions, or rules, it is believed the new figures will be compiled on a uniform basis, will be readily understood by the public and will be of increasing comparative value. So far the following clearing house associations have passed resolutions to discontinue the publication of bank clearings and to substitute in lieu thereof bank debits:

Asheville, N. C.; Baltimore, Md.; Los Angeles, Calif.; Richmond, Va.; St. Louis, Mo.; St. Paul, Minn.; South Bend, Ind.

New Banks Organized

Alabama

Akron—Akron Bank & Trust Company. Capital, $25,000.
Alabama City—First State Bank. Capital, $25,000.
Ashville—Bank of Ashville.
Elberta—Elberta State Bank. President, Herman Koebler; cashier, J. Q. Lehr.
Vincent—State Bank of Vincent. Capital, $11,200.

Alaska

Anchorage—The First National Bank. Capital, $50,000. President, J. B. Besson; cashier, Winfield Ervin.

Arkansas

Judsonia—Bank of Judsonia. Capital, $20,000.
Walnut Ridge—Planters Bank. President, T. J. Sharum; cashier, John A. Hill.

California

Fairfax—Fairfax Bank. Capital, $50,000.
Los Angeles—Western State Bank. Capital, $300,000.
Monterey Park—The First National Bank. Capital, $25,000. President, Henry P. Thayer; cashier, Rowan T. Segner.
Orland—Bank of Orland. Capital, $100,000.
Placerville—The Placerville National Bank. Capital, $50,000. President, Alden Anderson; cashier, W. E. Holmes.
Tajunga—Tajunga Valley Bank. Capital, $25,000. President, Emil Kirschner; cashier, Frank S. Scoville.
Van Nuys—Bank of Van Nuys. Capital, $100,000.

Florida

Bruneau—Bruneau State Bank. Capital, $25,000. President, J. F. Noble; cashier, Roland J. Hawes.
Crescent City—Peoples Bank. Capital, $25,000. President, A. B. Harbison; cashier, W. C. Cartledge.
Daytona Beach—Peninsula Trust Company. Capital, $50,000.
Haines City—Citrus Growers Exchange Bank. Capital, $30,000.
Lake Wales—Citizens Bank. Capital, $50,000.
Tampa—Tampa Loan and Savings Bank. Capital, $100,000. President, Chas. H. Brown; treasurer, F. R. Hensley.
West Palm Beach—The American National Bank. Capital, $100,000. President, Alfred H. Wagg; cashier, E. W. Wiggins.

Illinois

Chicago—Mechanics and State Bank.
Summerfield—State Bank of Summerfield. Capital, $15,000. Cashier, G. T. Soldners.

Indiana

East Chicago (P. O., Indiana Harbor) —The United States National Bank of Indiana. Capital, $100,000. President, Walter J. Riley. Conversion of First State Trust and Savings Bank of Indiana Harbor, Ind.
Holton—Holton State Bank. Capital, $25,000.
Indianapolis—Forty-second Street State Bank. President, Armi A. Bohn; vice-president, Harry R. Bach.
Newburg—Newburg State Bank. President, Eugene G. Sargeant; cashier, Leslie Fuquay.
Sunman—Sunman State Bank. Capital, $25,000.
Warsaw—State Bank of Warsaw. Capital, $100,000. President, I. O. Cartlin; cashier, N. E. Haymond.

Iowa

Swaledale—Swaledale Savings Bank. Capital, $25,000.

Kansas

Cumming—Farmers State Bank. Capital, $10,000. President, Theo. Anthony; cashier, W. F. Doud.
Viola—Farmers State Bank. President, M. Carr; cashier, O. L. Nossman.

Kentucky

Beaver—Floyd County State Bank. Capital, $25,000.
Blackey—Blackey State Bank. Capital, $15,000.
Harlan—Harlan State Bank. Capital, $100,000.
Louisville—City Bank and Trust Company. Capital, $50,000.
Nicholasville — Farmers Exchange Bank. Capital, $100,000.
Oneida—Citizens Deposit Bank.
Pikeville—Citizens Day and Night Bank. Capital, $30,000.
Scottsville—State Bank of Scottsville. Capital, $50,000.

Louisiana

Edgard—Bank of Edgard. President, Geo. Burch; cashier, H. T. Landry.
Eunice—Southern Banking Company. Capital, $30,000. President, O. L. Branson; cashier, M. M. Milburn.
Gibsland—Bank of Commerce. Cashier, S. M. Odom.
Lafayette—Union Bank and Trust Company. Capital, $50,000.
Shreveport—South Shreveport Bank and Trust Company.

Maryland

Chevy Chase (P. O., Washington, D. C.) Chevy Chase Savings Bank. Capital, $50,000. President, Edward H. Jones; vice-president, Clarence F. Waters.

Michigan

Pontiac—Peoples State Bank. President, S. E. Beach; cashier, W. H. Grunwald.
Port Sanilac—Exchange Bank of Platts Burgess & Company. Cashier, J. E. Burgess.

Minnesota

Minneapolis—Guaranty State Bank. Capital, $100,000.
St. Paul—Mutual Savings Bank. President, F. R. Crane.

Mississippi

Calhoun City—Peoples Bank. Capital, $25,000. President, E. P. Terry; cashier, H. D. Webb.
Goodman—Commercial State Bank. Capital, $15,000.

Missouri

St. Louis—The Security National Bank Savings and Trust Company. Capital, $250,000. President, Byron W. Moser; cashier, F. L. Denby.

Nevada

Las Vegas—Second State Bank. Capital, $25,000.

New Jersey

Newark—Weequahic Trust Co. Capital, $200,000. President, Roscoe L. Strickland; treasurer, H. H. Dawson.
West New York—The First National Bank. Capital, $100,000. President, Daniel P. Curry; cashier, C. G. Leeds.

New York

Atlanta—Atlanta National Bank. Capital, $25,000. President, Hyatt C. Hatch; cashier, J. Gordon Lewis.
New York—Terminal Exchange Bank. Capital, $200,000.
Queens—Queens-Bellaire Bank. Capital, $100,000.
Rushford—State Bank of Rushford. Capital, $25,000.
Victor—State Bank of Victor. Capital, $30,000.

North Carolina

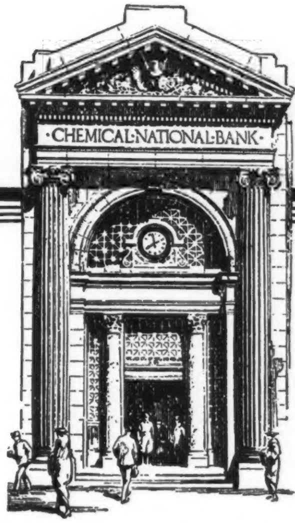
Charlotte—Charlotte Bank and Trust Company. Capital, $125,000. President, M. A. Turner; cashier, J. H. Leech.
Elkin—Bank of Elkin. Capital, $30,000. President, W. J. Byerly; cashier, J. H. Beason.

North Dakota

Cavalier—The Merchants National Bank. Capital, $25,000. President, C. R. Green; cashier, C. W. Clow.
Mohall—American State Bank. Capital, $15,000. President, John P. Asheim; cashier, C. G. Strommen.

Oklahoma

Ardmore—The American National Bank. Capital, $200,000.
Barnsdall—Barnsdall National Bank. Capital, $50,000. President, J. R. McCoy; cashier, Roy Smith.
Billings—First National Bank. Capital, $25,000.
Billings—The Billings National Bank. Capital, $25,000.
Blackwell—The Blackwell National Bank. Capital, $100,000.
Blackwell—The Security National Bank. Capital, $100,000.
Carnegie—The Farmers National Bank. Capital, $25,000. Cashier, C. L. Barton.
Chandler—The Farmers National Bank. Capital, $25,000. President, A. E. Patrick; cashier, W. R. Curry.



CONDENSED STATEMENT

At the close of business December 31, 1921

ASSETS

Loans and Discounts		$99,380,958.32
U. S. Bonds and Certificates		6,527,550.47
Other Bonds and Investments		2,954,116.20
Banking House		1,500,000.00
Customers' Liability; Letters of Credit, etc.		7,263,269.20
Cash, due from Banks and U. S. Treasurer		35,004,364.81
Interest earned		194,383.94
		$152,824,642.94

LIABILITIES

Capital Stock	$ 4,500,000.00	
Surplus	13,500,000.00	
Undivided Profits	2,245,999.01	
Reserves; Taxes, etc	340,040.58	
		20,586,039.59
Unearned Interest		621,343.97
Circulation		360,816.50
Letters of Credit and Acceptances		8,234,475.93
Deposits, viz:—		
Individuals	$93,975,778.90	
Banks	27,134,888.05	
United States	1,911,300.00	
		123,021,966.95
		$152,824,642.94

Seeking New Business on Our Record

THE CHEMICAL NATIONAL BANK OF NEW YORK

Founded 1824

BROADWAY AND CHAMBERS, FACING CITY HALL

Cushing—The Oklahoma National Bank. Capital, $50,000.

Driftwood—Security State Bank. Capital, $10,000. President, J. C. Beaty; cashier, J. W. Constant.

Duncan—The Oklahoma National Bank. Capital, $100,000. President, J. M. Armstrong; cashier, J. B. McLendon.

Duncan—The Security National Bank. Capital, $50,000. President, L. L. Humphreys; cashier, I. V. Pruitt.

Enid—Garfield National Bank. Capital, $100,000.

Enid—Central National Bank. Capital, $150,000.

Guthrie—Guthrie State Bank. Capital, $50,000. President, Lyman J. Gray; cashier, E. E. Parsons.

Hominy—The Hominy National Bank. Capital, $25,000. President, A. B. Budlong; cashier, J. H. Comer.

Kingfisher—The Citizens National Bank. Capital, $100,000. President, Elmer Solomon; cashier, B. C. Brigham.

Lawton—The American National Bank. Capital, $100,000. President, W. F. Barber; cashier, T. R. Keegan.

Tulsa—The Producers National Bank. Capital, $250,000.

Tulsa—The Security National Bank. Capital, $200,000.

Weleetka—The State National Bank. Capital, $25,000. President, W. R. Blake; cashier, F. E. Olivor.

Wynona—The Wynona National Bank. Capital, $100,000.

PENNSYLVANIA

Danville—Montour County Trust Company. Capital, $125,000. President, H. T. Hecht.

Duryea (P. O., Pittston)—Peoples Trust and Savings Bank. Capital, $125,000.

Natrona — Citizens Bank. Capital, $50,000. President, John E. White; cashier, John Armstrong.

Sinking Springs — Sinking Springs Bank. Capital, $50,000.

Windsor—The First National Bank. Capital, $25,000. President, W. S. Grimm; cashier, Robert J. Smith.

SOUTH CAROLINA

Columbia—Citizens Loan and Trust Company. Capital, $10,000. President, E. G. Jones; secretary-treasurer, J. Downes Bell.

Columbia—Victory Savings Bank. Capital, $25,000. President, I. J. Joseph; cashier, G. L. Floyd.

SOUTH DAKOTA

Canova—Security State Bank. Capital, $25,000. President, W. J. Jacobson; cashier, H. A. Schueller.

Orient—Orient State Bank. President, Edward Gooder; cashier, George I. Gunnison.

TENNESSEE

Bristol—Bristol Industrial Bank. Capital, $50,000.

Hinton—New State Bank and Trust Company. Capital, $50,000.

Jacksboro—Campbell County Bank and Trust Company. Capital, $25,000. President, Winston Baird; cashier, S. J. Parkes.

Johnson City—Tennessee Trust Company. President, James A. Ponder; cashier, C. W. Hendrix.

Knoxville—Knoxville Trust Company. Capital, $100,000. President J. Albert Robbins.

Monterey—Union Bank and Trust Company. Capital, $50,000.

Sparta—Peoples Bank and Trust Company. Capital, $25,000. President, F. M. Goodwin.

TEXAS

Dallas—Home Trust and Savings Bank.

Houston—The State National Bank. Capital, $200,000. President, J. A. Wilkins; cashier, Allan H. King.

Houston — The Guaranty National Bank. Capital, $200,000. President, John D. Dyer; cashier, A. B. Jones.

Houston—The Public National Bank. Capital, $300,000. President, J. L. Thompson; cashier, Stroud Kelley.

Stephenville—Farmers Guaranty State Bank.

VIRGINIA

Kenbridge—Peoples Bank. President, L. E. Allen; cashier, W. S. Young.

Stafford—Peoples Bank. Capital, $25,000. President, R. A. Moncure; secretary-cashier, James Ashby.

WASHINGTON

Seattle—Bank of Washington. Capital, $500,000.

Seattle—Lumbermen's Bank. Capital, $50,000.

WISCONSIN

Pembine—Pembine State Bank. Capital, $20,000.

WYOMING

Moorcroft—Peoples Bank.

Upton—Citizens State Bank.

Mortuary Record of Association Members

REPORTED FROM NOVEMBER 25, 1921, TO DECEMBER 26, 1921

Berman, Nestor, director the Citizens National Bank, Port Henry, N. Y.

Boyer, J. P., cashier First National Bank, Rock Springs, Wyo.

De Lano, Hiram A., president Allegan State Savings Bank, Allegan, Mich.

Farney, Daniel, vice-president State Trust and Savings Bank, Peoria, Ill.

Fuller, Charles, cashier Farmers State Savings Bank, Oxford, Mich.

Gillett, Willis J., president and director Rosendale State Bank, Rosendale, Wis.

Hayes, Dr. R. F., vice-president Hayes & Hayes, bankers, Aberdeen, Wash.

Hillyard, D. M., cashier First National Bank, Winters, Texas.

Knight, James, president Bank of Cartersville, Cartersville, Ga.

McCumber, Charles E., vice-president and director Rosendale State Bank, Rosendale, Wis.

McHenry, W. A., president First National Bank, Denison, Iowa.

Murray, Henry P., vice-president Worcester Bank and Trust Company, Worcester, Mass.

Nicholson, Walter, vice-president First and Old National Bank, Detroit, Mich.

Rahily, Wm. J., vice-president American Bank and Trust Company, Petersburg, Va.

Sherer, Wm., manager New York Clearing House, New York, N. Y.

Sturman, Albert, president First National Bank, Dahlgren, Ill.

Tubbs, Wm. C., president National Bank of Monmouth, Monmouth, Ill.

State Secretaries Committees

President Smith of the State Secretaries Section has appointed the following committees for the current year:

Committee on Insurance Matters—Andrew Smith, chairman; George H. Richards, W. W. Bowman.

Committee on Protective Matters—M. A. Graettinger, chairman; R. E. Wait, E. P. Gum.

Committee on Simplified Forms for Income Tax Returns—W. F. Keyser, chairman; Frank Warner, S. A. Roach.

Committee on Standardization of Bank Forms—W. C. Macfadden, chairman; George D. Bartlett, Haynes Macfadden.

Cashier Fifty-three Years

A half a century of service in any position of trust and responsibility is in itself an honor, but S. C. Jayne, cashier of the First National Bank of Berwick, Pa., has passed that mark, having completed his fifty-third year as cashier, and on December 20 last he celebrated his eighty-third birthday. Mr. Jayne is not a relic of the past, but is today a real worker. His record of long service in one office is said to be unparalleled in Pennsylvania, but perhaps some other state may claim the record for long service in one executive position.

Robert M. Baldwin has been elected treasurer of the Hudson Trust Co., of New York, in place of John J. Broderick, resigned.


"Invincible"
THE SAFE DEPOSIT BOX
You Will Eventually Install—And Why!
Safe Deposit Boxes were once manufactured as vault "accessories," sold as such, used as such—and robbed as such. Those days are over. The constant demand for greater security, greater ease of installation and quicker delivery has made the manufacture of safe deposit boxes a distinct art.
Specialized Manufacture
We have concentrated all of our resources—mental, moral, physical, and financial—on the making of Safe Deposit Boxes. We do only that one thing—and do it well! As a result INVINCIBLE Safe Deposit Boxes differ from all others. Every difference is a valuable feature for safety or ease of installation. See INVINCIBLE Boxes. Examine them. You will remember them.
Sectional Construction–Quick Delivery
INVINCIBLE Boxes give greatest known protection, are delivered the day you want them—and are installed as easily as a baby builds blocks. All sections intermember to form any size unit you want.
The "Lock Behind the Lock"
A distinctive INVINCIBLE safety feature. It makes the cracksman work for nothing.
A heavy steel bar comes into place behind the lock, making it secure against lock-punching and door sledging.
The "Lock Behind the Lock" frustrates the methods by which 90% of successful safe deposit robberies are accomplished.
Add a Section At a Time
A Postal Brings Our Free Book
Our complete Safe Deposit Book contains all details regarding the "Lock Behind the Lock," sectional construction, sizes, installations, and other valuable information. Drop us a card and we'll drop you the book.
INVINCIBLE METAL FURNITURE CO.
830 26th Street
MANITOWOC, WISCONSIN

Membership Changes

Reported from November 26, 1921, to December 26, 1921

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the Journal.

Arizona	Chloride	Arizona Central Bank closed.
	Snowflake	Bank of Northern Arizona closed.
	Somerton	Somerton State Bank in hands of receiver.
	Tombstone	First National Bank closed.
	Tucson	Security Bank & Trust Company closed.
Arkansas	Black Rock	Bank of Black Rock closed.
	Mineral Springs	Bank of Mineral Springs reported closed.
California	Brea	La Habra Valley Bank changed to First National Bank.
	Calipatria	Farmers & Merchants National Bank merged with First National Bank.
	Los Banos	Los Banos Portuguese American Bank changed to Portuguese American Bank.
	Santa Paula	First National Bank changed to First National Bank & Trust Company.
Colorado	Buckingham	Buckingham State Bank closed.
	Hotchkiss	Bank of North Fork changed to North Fork State Bank.
	Iliff	First Bank of Iliff changed to Iliff State Bank.
	La Jara	Conejos County State Bank consolidated with First National Bank.
	Pueblo	Bank of Pueblo closed.
	Snyder	Snyder State Bank closed.
	Stoneham	Stoneham State Bank closed.
Florida	De Land	Volusia County Bank changed to Volusia County Bank & Trust Company.
	Kissimee	Farmers & Merchants Bank corrected to Merchants & Farmers Bank.
	Mayo	Citizens Bank closed.
	Webster	Sumpter County State Bank closed.
Georgia	Americus	Commercial City Bank closed.
	Atlanta	Southern Banking Company closed.
	Augusta	Planters Loan & Savings Bank liquidated.
	Brunswick	Glynn County Bank merged with Brunswick Bank & Trust Co.
	Montezuma	First National Bank liquidated.
	Stone Mountain	Stone Mountain Bank in liquidation.
	Wrens	Citizens Bank closed.
	Young Harris	Farmers Bank closed.
Idaho	Pocatello	Bannock National Bank closed.
Illinois	Chicago	Guaranty Banking Corporation closed.
		Jeffries State Bank sold to Century Trust & Savings Bank.
		Kenwood Trust & Savings Bank changed to Kenwood National Bank.
	Coulterville	First State Bank changed to First National.
	Pecatonica	Farmers State Bank changed from Farmers & Merchants Savings Bank.
	Xenia	Orchard City State Bank closed.
Indiana	Huntington	Huntington County Bank changed to Huntington County State Bank.
	La Fayette	Farmers & Traders Bank changed to Farmers & Traders State Bank.
	Union Mills	Union Bank changed to Union State Bank.
	Wingate	Farmers Bank changed to Farmers State Bank.
Iowa	Anita	Citizens Savings Bank changed to Citizens State Bank.
	Des Moines	First Trust & Savings Bank closed.
	Elliot	Elliot Savings Bank reported closed.
	Graettinger	Farmers & Merchants Bank changed to Farmers & Merchants State Bank.
	Marathon	Marathon Savings Bank closed.
	Williamson	Farmers Savings Bank, Grinwald, changed to Farmers Savings Bank, Williamson.
Kansas	Belleville	National Bank changed to First National Bank.
	Cedar Vale	Dosbaugh National Bank changed to Citizens National Bank.
	Olmitz	Brinkman-Brock State Bank changed to Olmitz State Bank.
	Spring Hill	Farmers State Bank closed.
	Viola	Viola State Bank closed.
Kentucky	Burgin	Citizens Bank changed to Citizens Bank & Trust Co.
	Fleming	Bank of McRoberts changed to First National Bank.
Louisiana	Marthaville	Bank of Marthaville closed.
Maryland	Baltimore	Wm. Schwartz & Sons closed.
	Catonsville	First National Bank closed.
	Emmitsburg	Annan, Horner & Co. succeeded by Farmers State Bank.
Massachusetts	Boston	Dorchester Trust Co. merged with International Tr. Co.
		Hyde Park Trust Company merged with International Trust Co.
		H. Slobodkin, Inc., liquidated.
Michigan	Cass City	Cass City Bank changed to Cass City State Bank.
Minnesota	Boyd	Boyd National Bank changed to Boyd State Bank.
	Marietta	Farmers & Merchants State Bank in liquidation.
	Proctor	Mesaba State Bank changed to Peoples National Bank.
	Windon	Farmers State Bank closed.
Mississippi	Boyle	Farmers Bank closed.
Missouri	Boonville	Commercial Bank merged with Farmers Trust Co.
	Collins	Bank of Collins taken over by Citizens Bank.
	De Kalb	Citizens State Bank closed.
	East Lynne	Commercial State Bank consolidated with Farmers State Bank.
	Kansas City	Commerce Trust Company consolidated with National Bank of Commerce.
	Novinger	Union State Bank closed.
	Oskaloosa	Universal State Bank closed.
	Purdy	Farmers & Merchants Bank consolidated with First National Bank.
	Rock Port	Farmers Bank consolidated with Citizens Bank of Atchison County.
	Winston	Farmers State Bank closed.
Montana	Chester	First State Bank closed.
	Cut Bank	First State Bank closed.
	Harve	Farmers State Bank closed.
	Hobson	Fergus County State Bank changed to Judith Basin Bank.
	Joplin	First National Bank closed.
	Jordan	First State Bank closed.
	Orlando	First State Bank closed.
Nebraska	Allen	Farmers State Bank closed.
	Anselmo	Peoples State Bank closed.
	Belvidere	Farmers State Bank closed.
	Bridgeport	First National Bank closed.
	Dunning	Home State Bank closed.
	Fremont	Fidelity Trust Company closed.
	Holdrege	Farmers State Bank closed.
	Kilgore	Kilgore State Bank closed.
	Obent	Obent State Bank closed.
	Oshkosh	First State Bank succeeded by Nebraska State Bank.
		First State Bank closed.
	Plattsmouth	Bank of Cass City in hands of receiver.
	Pleasonton	Farmers State Bank closed.
	Sidney	First National Bank closed.
		Nebraska State Bank closed.
	Wakefield	First National Bank closed.
	Winside	Farmers State Bank closed.
Nevada	Fallon	Bank of Fallon consolidated with Churchill County Bank.
New Jersey	Paterson	National Trust Bank consolidated with Paterson National Bank.
New Mexico	Lordsburg	Lordsburg State Bank closed.
	Roy	Roy Trust & Savings Bank changed to First National Bank.
New York	Albany	Albany City Savings Institution changed to Albany City Savings Bank.
	Cohoes	Cohoes Savings Bank changed from Cohoes Savings Institution.
	New York	Foreign Trade Banking Corporation, 35 Wall Street, liquidated.
		Chandler Bros. closed.
	Troy	Security Trust Company of Troy consolidated with Manufacturers National Bank.
	Victor	W. A. Higinbothan & Company succeeded by State Bank of Victor.
North Carolina	Ayden	First National Bank changed from Farmers & Merchants National Bank.
	Goldsboro	Farmers Loan & Trust Company changed to Farmers Bank & Trust Company.
	Pink Hill	Bank of Pink Hill closed.
	Siler City	Siler City Loan & Trust Company changed to Citizens Bank and Trust Company.
	Smithfield	Citizens National Bank consolidated with First National Bank.
North Dakota	Cogswell	Farmers & Merchants Bank closed.
	Crocus	Crocus State Bank closed.
	Denbigh	Denbigh State Bank changed to Towner State Bank, Towner.
	Golden Valley	Americus State Bank consolidated with First State Bank as First American State Bank.
	Kulm	La Moure County First National Bank changed to First National Bank.
	Streeter	First National Bank closed.
	Watford City	McKenzie County Bank reported closed.
	Wilton	McLean County State Bank liquidated

Ohio	Bridgeport	Bridgeport Bank & Trust Company changed to Bridgeport Bank Co.
	Hamler	Henry County Bank changed to Hamler County State Bank.
	Pomeroy	Farmers Bank & Trust Company changed to Farmers Bank and Savings Company.
	Washington Court House	Washington Savings Bank & Trust Company changed to Washington Savings Bank.
Oklahoma	Ardmore	Guaranty State Bank converted into American National Bank.
	Aylesworth	First State Bank closed.
	Blackwell	Security State Bank changed to Security National Bank.
	Duncan	Duncan National Bank merged with First National Bank.
	Gray	First State Bank reported closed.
	Hartshorne	Hartshorne National Bank changed to Security State Bank.
	Kiefer	Exchange State Bank closed.
	Newalla	State Bank of Newalla changed to The State Bank.
	Norman	Farmers National Bank closed.
	Schulter	First National Bank, Kusa, should be First National Bank, Schulter.
	Tulsa	Producers State Bank changed to Producers National Bank.
		Security State Bank changed to Security National Bank.
	Woodward	Gerlach Bank closed.
Oregon	Klamath Falls	Klamath State Bank consolidated with First National Bank.
	Oakland	E. G. Young & Company, Bankers, changed to E. G. Young & Co. Bank.
	Vale	First National Bank closed.
Pennsylvania	Charleroi	Bank of Charleroi changed to Bank of Charleroi & Trust Company.
	Philadelphia	Chandler Bros. closed.
		Citizens Bank closed.
	Pittsburgh	Peoples National Bank consolidated with First National Bank.
South Carolina	Anderson	Farmers & Merchants Bank liquidated.
South Dakota	Vienna	Bank of Vienna consolidated with First State Bank of Vienna.
Tennessee	Hohenwald	First National Bank formerly Citizens Bank.
	Kingsport	Kingsport Bank & Trust Company merged with Bank of Kingsport.
Texas	Breckenridge	Breckenridge State Bank & Trust Company changed to Breckenridge State Bank.
		Guaranty State Bank closed.
	Colorado	First State Bank consolidated with Colorado National Bank.
	Donna	First State Bank closed.
	Eastland	Security State Bank & Trust Company closed.
	Ennis	Ennis National Bank in hands of National Bank Examiner.
	Fulbright	Guarantee State Bank reported closed.
Texas	Henderson	First State Bank closed.
	Hitchcock	H. L. Roberts & Company closed.
	Humble	Guaranty State Bank closed.
	Necessity	First National Bank closed.
		Guaranty State Bank of Cottonplant closed.
	Olden	First State Bank closed.
	Ranger	Guaranty State Bank liquidated.
		Texas Bank & Trust Company consolidated with Farmers & Merchants State Bank.
	Thrift Branch	Johnson Bros. Banking Company, Burkburnett P. O., closed.
	Wichita Falls	Americus National Bank closed.
Utah	Copperfield	Copperfield State Bank liquidated, Bingham Canyon P. O.
	Duchesne	Bank of Duchesne in hands of State Bank Department.
	Lehi	Peoples Bank of Lehi liquidated.
	Moab	Moab State Bank liquidated.
Virginia	Ashland	Peoples Bank changed to First National Bank.
	Houston	Bank of Halifax changed to Bank of Halifax at Halifax.
		Peoples Bank merged with Bank of Halifax.
	Norfolk	Bankers Trust Company liquidated.
	Reedville	Commonwealth National Bank reported closed.
	Richmond	Commercial Guarantee Company closed
Washington	Hoaquiam	Lumberman's Bank changed to Lumbermans Bank & Trust Co.
	Kelso	Kelso State Bank closed.
	Seattle	Dexter Horton Trust & Savings Bank consolidated with Dexter Horton National Bank.
		Scandinavian American Bank liquidated.
West Virginia	Charleston	Merchants & Mechanics Bank merged with Charleston National Bank.
	South Charleston	Bank of South Charleston consolidated with First National Bank.
	Wheeling	South Side Banking & Trust Company changed to South Side Bank & Trust Company.
Wisconsin	East Ellsworth	Citizens State Bank, Ellsworth, changed to Citizens State Bank, East Ellsworth.
	North Crandon	Farmers & Merchants State Bank, North Crandon, changed to Farmers & Merchants State Bank, Argonne.
Wyoming	Gillette	Citizens State Bank closed.
Cuba	Havana	Banco Espanol de la Islade, Cuba, liquidated.
		Banco Mercantile Americano de Cuba closed.
		National Bank of Cuba liquidated.
Mexico	Chihuahua	Rafael Calederon, Jr., consolidated with D. S. Russek & Co.
	Mexico City	Mercantile Banking Company liquidated.
	Tampico, Tamanlipos	Guaranty Banking Co. liquidated.

New Members

From November 26, 1921, to December 25, 1921, Inclusive

California
Bank of Italy, Mission and 29th Street Branch, San Francisco 11-35.
F. Wilson Prichett, San Francisco
Bank of Upper Lake, Upper Lake 90-965.

Florida
American National Bank, West Palm Beach 63-361.

Illinois
West Side National Bank, Chicago 2-287.
Wm. H. McKenna & Co., 178 W. Jackson Blvd., Chicago
Murphysboro Savings Bank, Murphysboro 70-288.
Newman National Bank, Newman 70-1491.

Indiana
State Bank of Milan, Milan 71-831.
State Bank of Syracuse, Syracuse 71-922.

Iowa
Farmers Bank, Zearing 72-1000.

Kansas
Peoples State Bank, Latham 83-910.

Louisiana
New Orleans Bank and Trust Co., New Orleans 14-65.

Maryland
First National Bank, Hagerstown 65-17.

Mississippi
Bank of Booneville, Booneville 85-204.

Missouri
Farmers Bank, Pollock 80-817.
Security National Bank, Savings and Trust Co., St. Louis 4-99.

Nebraska
United States Trust Co., Omaha 27-58.

New Jersey
Ridgefield National Bank, Ridgefield 55-524.

New York
Morris Plan Co., Buffalo
Public National Bank, Bronx Branch, New York 1-238.

Texas
First National Bank, Cooledge 88-866.
Guaranty State Bank, San Angelo 88-92.

Wisconsin
Citizens National Bank, Merrill 79-140.